

# INTERNATIONAL Herald Tribune

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ESTABLISHED 1887

## U.S. Prepared to Send Forces to Escort PLO From Beirut

*Assistance of 1,000 Armed Troops, in Multinational Mission, Awaits Formal Request by Lebanon*

Compiled by Our Staff From Dispatches  
LOS ANGELES — President Reagan said Tuesday he has agreed in principle to dispatch up to 1,000 U.S. combat troops to West Beirut for perhaps 30 days to evacuate Palestine Liberation Organization guerrillas.

Israeli tanks and artillery miners pounded West Beirut Tuesday, breaking the fifth day of truce arranged by Prime C. H. Hales, the U.S. special envoy to the Middle East, after less than 24 hours.

Mr. Reagan made his statement to a group of local officials from western states who had gathered to discuss his revised New Leadership program? The decision had been revealed earlier by Larry Speakes, deputy White House press secretary.

"The situation is too sensitive for detailed discussion, but I can

report to you that this weekend, in discussions with Mr. Habib, the government of Lebanon told us that a multinational force might be essential for temporary peacekeeping in Beirut and informally proposed that the United States consider making a contribution to that force," he said.

The Lebanese government has not made a formal proposal, but I have agreed in principle to contribute a small contingent of U.S. personnel subject to certain conditions.

### Diplomatic Negotiations

He said the United States has pledged to do "all it can to find a peaceful solution to the conflict" and that Mr. Habib had been working tirelessly "to bring peace to that troubled region."

He gave no further details and

said, "Obviously, there's much work still to be done. I can't overemphasize the delicacy of these negotiations."

In Cairo, Foreign Minister Kamal Hassan Ali told the official Middle East news agency that the PLO had agreed to leave West Beirut by sea to "avoid destroying the city and shedding more blood" and that France would help transport the PLO out of Beirut. But Claude Cheysson, external relations minister, said that the reports were untrue and that no firm plans had been made.

Yasser Arafat, the PLO chairman, spurned suggestions that the PLO be evacuated from Beirut under the protection of the U.S. 6th Fleet, but he did not reject the involvement of American troops in a multinational peacekeeping force

to disengage the Israeli and Palestinian armies.

In an interview with Thomas L. Friedman of The New York Times at a Beirut office of the PLO, Mr. Arafat said: "We are not in need of American help. The weapons and the 6th Fleet that helped kill my women and children cannot protect us. Definitely I won't accept it."

When asked if the PLO would accept American Marines being deployed in Beirut as part of a solution to the present crisis, Mr. Arafat said, "I am in favor of an international effort for disengagement" of Palestinian and Israeli troops around Beirut.

Mr. Arafat has insisted that an international force be deployed to separate the PLO and the Israelis before he will discuss the final de-

tails or implement any kind of PLO withdrawal from Lebanon.

Mr. Speakes, earlier Tuesday, said that the contribution of U.S. troops for the evacuation might also involve U.S. ships. He did not say which branches of the armed services the battalion would be drawn from, but the most likely source of troops was thought to be Marines with the U.S. 6th Fleet in the Mediterranean.

### Congressional Reaction

He said some members of Congress had been briefed Tuesday morning after the news first broke in Jerusalem, by William P. Clark, the national security adviser, and members of his staff and State Department personnel. Congress is in a July 4 holiday recess.

Some lawmakers expressed concern. In a statement, Clement J. Zablocki, Democrat of Wisconsin and House Foreign Affairs Committee chairman, said, "I have serious reservations. ... There are simply too many unanswered questions."

Howard H. Baker Jr., Senate Republican leader, speaking in Johnson City, Tenn., said he would not comment on the specific proposal, but added, "I think it is not wise to introduce American fighting men in the Mideast conflict."

Rep. G.V. Montgomery, Democrat of Mississippi, warned that Mr. Reagan should be "prepared for American casualties" if U.S. troops are sent into Lebanon.

Israeli officials in Jerusalem said the United States had offered to send the 6th Fleet and a detachment of Marines to supervise the Palestinian withdrawal. Israel Ra-

dio said 1,600 U.S. Marines would take over positions abandoned by the guerrillas, presumably to ward off reprisal attacks on the Moslem population by Lebanese Christian militiamen.

The radio said the guerrillas would go to several countries, including Algeria, Iraq, Egypt and Syria. It said the guerrillas had proposed, but added, "I think it is not wise to introduce American fighting men in the Mideast conflict."

On Tuesday, heavy fighting

broke out between the Israeli armored units besieging West Beirut and the 6,000 guerrillas trapped inside. The fighting was concentrated around the Galare-Suman crossing point that connects Christian East Beirut with the predominantly Moslem west.

It was impossible to determine

who started the shooting, but by late evening it was clear that the Israeli artillery entrenched in the hills overlooking West Beirut were pouring fire onto a string of Palestinian positions. The Palestinians responded with multiple rocket launchers.

The Israeli continued to block any food, water or fuel from entering West Beirut for the fourth consecutive day.

The State Department Tuesday urged Israel to lift the blockade of West Beirut to permit the transportation of relief supplies into the besieged quarter.

Meanwhile, Israeli authorities dissolved another elected Palestinian town council on the West Bank Tuesday, and Israeli troops used tear gas to disperse a student demonstration against the occupation of Lebanon.

## Israel Exhibits Town Once Held by PLO

By William Branigan  
*Washington Post Service*

DAMOUR, Lebanon — The wall where the cross once hung is riddled by bullets. Below, where the altar once stood, lies a pile of greasy engine casings and parts parts. Oil stains spot the floor of the church, which evidently had been turned into a garage and now stands empty and desolate like the rest of the town.

Next door, in a row of dimly lit stone chambers that once served as a monastery, metal tanks lie overturned amid piles of clothes, cooking utensils and various personal belongings. Palestine Liberation Organization posters and slogans over the walls.

In another part of town, the large St. Elias Church is in similar disarray. The now-departed Palestinians had apparently found a new use for this church as well: the pews inside have long since been removed, and a volleyball net stretches across the interior between two pillars.

This is the Damour now being put on display by the Israeli Army, which captured the PLO-held town 2 miles (3.2 kilometers) south of Beirut at the start of its invasion of Lebanon last month after pounding it relentlessly from land, sea and air.

Formerly inhabited by about 30,000 Lebanese, almost all of them Christians, Damour was overrun by Palestinian guerrillas during the 1975-76 Lebanese civil war. Its inhabitants were driven out, and the town was turned into a Palestinian military stronghold dominating the coastal road from southern Lebanon into Beirut.

Organized Tours

During a tour Friday organized by the Israeli Army press office, reporters were taken to see the churches that had been turned into Palestinian guerrilla installations, huge arms and ammunition depots in residential buildings, and a handful of Christian families who have returned to their former homes. Access to the town is now

(Continued on Page 2, Col. 4)



The wreckage of a vehicle was found inside a church in the Lebanese town of Damour, which was recently occupied by Israeli forces. The church had been used as a camp by Palestinian guerrillas.

## Nuclear Freeze Issue Puzzles U.S. Politicians

*Democrats Expected to Benefit, but Experts Can't Identify Likely Victors*

By Adam Clymer  
*New York Times Service*

WASHINGTON — The nuclear freeze issue, an influence on this year's elections, is a political enigma.

Most experts on both sides of the political aisle feel that the issue will matter in this year's congressional elections, and that it will help Democrats more than Republicans because more Democrats favor a freeze. But they are hard put to identify races in which it seems to rate as a key issue.

Even after the Democrats attacked themselves fairly tightly to the nuclear freeze issue at their Philadelphia mini-convention a week ago, defining its partisan impact remains uncertain.

The freeze issue caught politicians by surprise. Most are tentative in judging it. Matt Reese, a Democratic operative, said: "It's a strong issue whose birth was unexpected. I didn't see it coming. I'm not smart enough to know how to use it yet."

But there are firm opinions. Nancy Simon, the executive director of the National Republican Congressional Committee, thinks the issue can help candidates who support a freeze in states where the freeze itself is on the ballot. That list includes California, New Jersey, Rhode Island and Wisconsin. Up to six more, including New York and Michigan, may be added.

Peter D. Hart, a Democratic poll-taker, said he thought the issue would show "probably a greater impact in terms of turnout than anything else."

"I would not think it would be the major overriding issue in many races," he said.

The probable impact of the issue is uncertain for several reasons. The terms used in discussing the freeze are technical. Polls indicate that the public is not all that certain on the question. A pro-freeze argument, therefore, is not all that hard to answer politically.

Rep. Guy Vander Jagt of Michigan, chairman of the Republican

### NEWS ANALYSIS

Congressional Committee, says the advice he offers Republicans is: "Treat it with great, great seriousness. You take the concern seriously."

Ann F. Lewis, the political director of the Democratic National Committee, agrees that the issue could be of only limited help to Democrats because, she said, "it should be possible for any Republican with common sense to come back with an arms-control position of his own."

Another factor is that while the Democrats may be committed to the freeze, as Sen. Edward M. Kennedy said to the dismay of the party's small crew of freeze opponents.

There is one area in which almost everyone agrees that the issue is valuable to candidates: it is believed to stimulate volunteers.

Mrs. Lewis of the Democratic staff tells of a Boston-area congressional candidate getting 14 volunteers from a high school after discussing the freeze there. She adds, "That's more high school volunteers than anyone is getting on any other issue."

In La Crosse, Wis., Rick Merrill,

an aide to Paul O'Farrell, a Democratic House candidate, said: "It's important to us as an organizing tool. This district runs 300 miles

up and down the Mississippi River, and that's a lot of territory to cover, so volunteers matter."

The president's poll-taker, Richard B. Wirthlin, says he has found a sharp rise since April in the percentage of Americans who think that Mr. Reagan wants to reduce arms and a decline in the percentage who think the president wants to build as many bombs as he can. Mr. Reagan had been urged by advisers to begin speaking out on arms control.

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At the moment, the freeze has an almost mythical quality, as one or another group of campaign watchers in Washington reports that it is catching fire in the hinterland. But when questioned, the candidates, such as Frances Farley in Salt Lake City or Frank McCloskey in Bloomington, Ind., report no change.

Still, Election Day is four months away. Robert M. Teeter, who conducts polls for Rep. Vander Jagt's committee, said the subject had gone from zero to 5 percent to 10 percent as the problem voluntarily mentioned as "most important" in his polls in the last 60 days.

"It has all the symptoms of an issue that's beginning to come, even though you can't really hand out any data and say there it is," said Mr. Teeter, the president of Market Opinion Research of Detroit.

Rep. Vander Jagt said: "At the moment, it's not very important. It will be by November."

His expectation that the issue will count, no matter how difficult it is to measure today, is widely shared, though an occasional skeptic like Richard N. Bond, deputy chairman of the Republican National Committee, is willing to predict that it will not affect a single House race.

Reporters who visited the airport Tuesday evening said that planes were taking off and landing as usual in warm, hazy weather, and that the crash site was not visible.

The area around Shereemetevsky Airport is closed to foreigners without special permission.

### INSIDE

■ They were outsiders who finally became insiders, but many of the conservative crusaders who came into office with President Reagan have grown frustrated and are resigning in increasing numbers. "The crusade is over," said one.

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■ In politically fractious San Francisco, there ordinarily would be little to unite members of the National Rifle Association, the radical White Panther Party and the newly formed Gays for Guns. Yet those and other diverse groups all have joined in opposing Mayor Diane Feinstein's precedent-setting plan to ban the sale and use of handguns — a move she calls "domestic disarmament" in the wake of a spiraling homicide rate.

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■ A special supplement reports on Bahrain.

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## Aeroflot Jet Crashes; Few Details Given

By Jackson Diehl  
*Associated Press*

MOSCOW — An Aeroflot aircraft on route to western Africa crashed on takeoff early Tuesday near Moscow's Sheremetyevo Airport, Tass reported.

There were victims, Tass said, but Soviet officials refused to give details about the number of fatalities or their nationalities. Two Western airline sources said they believed that the plane was carrying about 90 passengers. One source said there were no survivors; another said there were rumors that a woman survived.

Flight 411 was en route from Moscow to Dakar, Senegal and Freetown, Sierra Leone, an airport spokesman said.

An official at the Sierre Leone Embassy in Moscow said that about 22 persons from that country were aboard the plane, including a diplomat, representatives of a youth group and students. All were believed killed, the official said.

The Soviet Foreign Ministry and the Ministry of Civil Aviation, when contacted by us, did not give us any details, but promised to give us more information tomorrow, the official said Tuesday.

An official at the Senegalese Embassy said he had no details, but he said that embassy staff members were trying to get details from Soviet authorities.

According to Aeroflot, the takeoff was scheduled for 12:10 a.m. local time. A Western source said the crash occurred about six miles (nine kilometers) from the airport, and that one of the plane's four engines was ablaze.

The Ministry of Civil Aviation said that a special commission was investigating the crash.

"The Ministry of Civil Aviation expresses deep condolences to the relatives of the victims of the crash," Tass said.

Type of Plane Unclear

Aeroflot's official schedule lists the aircraft for the flight as an Ilyushin-62, but it was not known whether it was the 186-passenger version or the 168-passenger ver-

## Argentina Wants Falklands Talks Before Formal Halt to Hostilities

By Jackson Diehl  
*Associated Press*

Buenos Aires — Argentina's new army government will continue to insist that Britain agree to negotiate over the Falkland Islands before accepting a permanent cessation of hostilities in the South Atlantic, officials at the Argentine Foreign Ministry say.

The diplomatic stance was indicated Monday by newly inaugurated Foreign Minister Juan Aguirre Lanari, who said a de facto cessation of hostilities exists for Argentina in the South Atlantic, but that Argentina would continue to seek to resolve the conflict on the basis of United Nations resolutions that call for talks on Argentina's claim to the Falklands.

Government sources later confirmed that Mr. Aguirre Lanari had not altered the position adopted by former Foreign Minister Nicolás Costa Méndez that Argentina could not agree to a final end to the hostilities with Britain — thus losing its last measure of diplomatic leverage — without receiving a promise of negotiations in return.

Mr. Aguirre Lanari's statement was indicated in a press conference schooled a note delivered by Argentina to the United Nations more than two weeks ago, before the installation of the new army government of President Reynaldo Benítez Bigone. That statement said a de facto cessation of hostilities existed but that it would be "precarious"

gentle soldiers still being held by British forces will not be released until the cessation of hostilities is agreed upon.

Government officials said that Argentina was privately seeking to arrange a settlement with Britain but that the Foreign Ministry did not expect a quick conclusion to the issue. "What's the hurry?" one ranking official said. "We're not the ones holding the hostages."

Mr. Aguirre Lanari also said that U.S.-Argentine relations had deteriorated and that future ties between the two nations depended on concrete acts. "The time for words has passed," he said.

British Defense Ministry said the captives' departure on Monday leaves 35 Argentine prisoners on the islands. The ministry said the 35 were helping clear mine fields laid by the Argentines during their 74-day occupation.

### Thatcher Gives Inquiry Details

LONDON (AP) — Prime Minister Margaret Thatcher announced details Tuesday of a gov-

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## Cairo's Jews Remain Undaunted By Public Condemnation of Israel

By Eric Pace

New York Times Service

**CAIRO** — From windows over Sabil el-Khayzinar Street, radios blare the latest news about the Lebanon crisis. On the sun-scorched sidewalks, news vendors hawk newspapers full of denunciations of Israel.

But behind its dusty stone wall and its palm-studded garden, the headquarters of Cairo's Jewish community is an oasis of tranquility.

"There is no trouble for us now because of Lebanon," the community's acting head, Youssef Dana, said last week. And one of its board members, Murad Gabai, said: "We have no trouble at all. The Moslem people are very polite."

Though the attitudes of many Egyptians toward Israel have soured since it launched its Lebanon offensive, leaders of the quiet,

mostly elderly Jewish community here reported that they had experienced no trouble connected with the crisis. They said Cairo's Jewish sites, which include 15 synagogues, had not been vandalized.

"We are completely friendly with the authorities here," said Mr. Dana, 64, a tax lawyer who has three of his four children at school in Israel. His other child, Ester, 7, is the youngest of the 150-member community, which traces its history back to Moses and Maimonides.

Mr. Dana said Lebanon "is not something that concerns us at all." Other Jews here said the Egyptian government had not felt any need to increase the usual guard of riot police at such Jewish sites as the great Shaar ha-Shamayim Synagogue, which has been refurbished.

That synagogue whose Hebrew name means "Gate of Heaven" is the only one in Cairo where worship is held — on Fridays and Saturday.

— and Mr. Gabai, 75, a retired government official, leads the prayers because there is no rabbi in Cairo. In 1980 and 1981 the Israeli government sent a rabbi to the synagogue to hold Sephardic services during Judaism's high holy days.

The absence of a permanent rabbi is painful to the Jewish leaders who recall proudly that there have been about 50 grand rabbis since the time of Maimonides, the great Jewish philosopher of 12th-century Cairo.

They still remember the strong-willed Haim Nahum, who became grand rabbi in 1924 and died in 1960. Rabbi Nahum's frail successor, Rabbi Haim Douek, said in 1968, when only about 500 Ashkenazi and Sephardic Jews remained in Cairo, "I hope that in the future, the community will become prosperous again." It had had 80,000 members 20 years earlier.

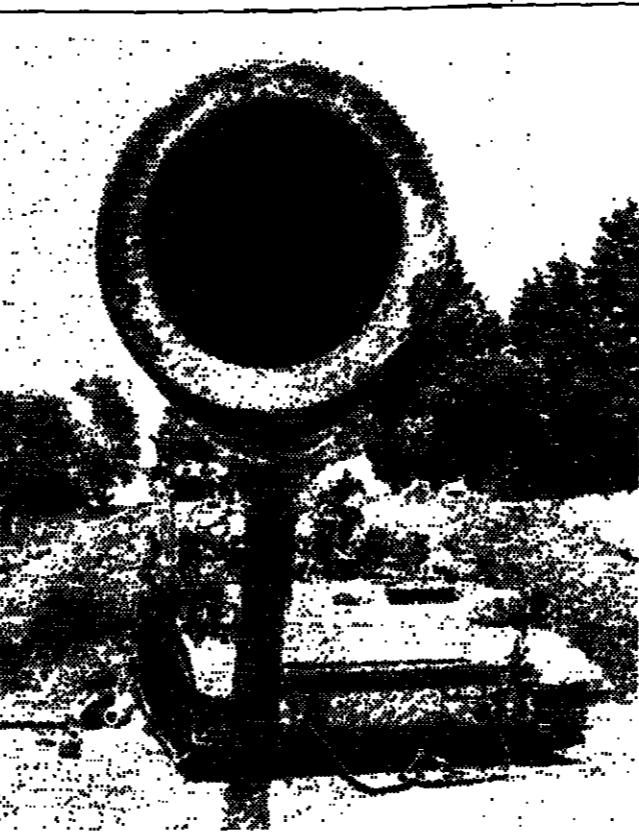
But the rabbi, like hundreds of other Jews, left Egypt after many Jewish men were imprisoned by the government of President Gamal Abdel Nasser during the 1967 Middle East war and afterward. Rabbi Douek died in New York.

The rabbi's wish has not come true, though Mr. Dana said the community had been well treated under President Anwar Sadat and his successor, Hosni Mubarak. "Even during the war of 1973," he said, "we had no trouble here at all."

But he reported that medical expenditures and other outlays for poor Jews here were a burden on the finances of the organization and that it had had to sell six synagogues in Cairo in the past 10 years to generate revenue to meet operating expenses.

All of Egypt's Jews live in Cairo, he said, except for 100 in Alexandria, where, he said, they "are in a better situation — they have some rich people there." In addition, there is a tiny group of Egyptian Karaites, members of a fundamentalist Jewish sect who did not recognize Rabbi Douek's authority.

Almost all of Cairo's Jews are over 70 and most are women, said Eli Douek, the secretary of the community.



OUTSIDE BEIRUT — A 175-millimeter mobile howitzer of the Israeli Army stood aimed at West Beirut, shortly before a fifth cease-fire settled on the city. The cease-fire was broken Tuesday, barely 24 hours after it had begun.

The Associated Press

## Singapore Will Become a Fifth Site For Printing of the Herald Tribune

International Herald Tribune

**PARIS** — The International Herald Tribune will open a fifth printing site in Singapore on Oct. 4, 1982, it was announced Tuesday.

The new facsimile printing operation will make the paper available in Singapore early in the morning on the day of publication and will also enable its distribution in In-

donesia and Malaysia on the day of publication, according to Lee W. Huebner, the publisher. The printer in Singapore will be Nanyang Siam Pao.

The paper is now printed simultaneously in Paris, London, Zurich and Hong Kong. It is edited in Paris, where it was founded on Oct. 4, 1887 — 95 years to the day before the addition of Singapore as a printing site.

The Singapore operation will begin two years after the beginning of the paper's Hong Kong edition, which grew in the first year to an audited daily circulation of 12,000 and to present sales above 17,000. Mr. Huebner said the success of the Hong Kong operation was the major reason for the expansion to Singapore.

"I am delighted to say that we were overly cautious in the projections we made when we launched our Hong Kong edition two years ago," he said. "The response in Asia to date has surpassed all our expectations and has made it possible for us to go ahead with a second printing location in Asia."

## TO OUR READERS IN SPAIN

The International Herald Tribune has been arriving late in Spain due to an airline cancellation of an early cargo flight from Paris to Barcelona and Madrid. We are doing all we can to restore earlier delivery of the newspaper, and we regret the present inconvenience to our readers.

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## Israelis Give Tour of Town Once Held by Palestinians

(Continued from Page 1)  
mostly restricted at several Israeli checkpoints.

One large house, of which the Israeli guides did not seem to be aware, contained a stockpile of Soviet-made missiles and a PLO prisoner. The surface-to-air missiles, fired from mobile launchers, reportedly were delivered by Libya last year. A dark basement under the heavily damaged house was divided into small cells just large enough for a person to lie down.

The emphasis of the tour was on the Palestinians' sacrifice and desecration, but Damour was also the scene of awesome destruction and of fierce Israeli shelling and air strikes.

Facades of deserted buildings have not been blasted away entirely. In a few places, all that is left of

a building is a set of pillars, giving the appearance of historic ruins.

One of the tour's escort officers appeared confused when a cameraman presented him with a piece he had picked up from a cluster bomb, a deadly anti-personnel weapon sold by the United States to Israel on condition that it be used strictly for defensive purposes.

Palestinian forces originally overran Damour, formerly a stronghold of the Christian followers of former president Camille Chamoun, in reprisal for the destruction by rightist Christian militiamen of the Palestinian refugee camp of Karantina.

Both Damour and Karantina had been regarded as enemy islands in territory controlled by the opposing sides at the start of the Lebanese civil war. Damour was in a predominantly Moslem area and Karantina in mainly Christian East Beirut. Each place was the site of massacres and forced evictions.

In Damour, the house of Mr. Chamoun was blown up, and the local office of the rightist Christian Phalangist party — then a minor influence in the town — was destroyed. Today, thanks to their Israeli allies, the Phalangists are in control. Having completely subjugated the Christian militia loyal to Mr. Chamoun during the past couple of years, the Phalangists now are making plans to rebuild the town and return its Christian inhabitants.

### Phalangist Control

Symbolizing the new control is a checkpoint on the town's bomb-damaged main street manned by militiamen of the Phalangist-dominated "Lebanese Forces" led by Bashir Gemayel.

In one district on the outskirts of Damour, three Christian families again occupy houses they were forced to leave when the Palestinians took over. One of the remnants, Amira Abd el Noor, 19, said her family had come back a week ago after having lived in a suburb of Beirut for the last seven years.

"We feel happy about the Israelis, because we wanted to come back, damage or not," she said.

Apparently less content was Nelly Andraos, who said she had left for a year after the Palestinians invaded, then returned and stayed until a few weeks ago when the Israeli attack forced her again to leave briefly.

"That's my house over there, all fallen in," she said, pointing across the street to a heavily damaged building. "How am I supposed to stay there?" She said Israeli air raids had caused the damage. A huge bomb crater is about 20 yards away from the relative's house in which she now stays.

Less explicable was the destruction of tin shantytowns on either side of the road to Beirut near the town of Khalde. The escort officer said that the demolished shanties had been run over by tanks, but he could not explain who had ordered the destruction or why.

Price: 5 Francs

Subscription Rates

U.S. \$1.00 per Postage

Alfred and Pauline

Factories Attacked

Oaks Army Armored One

Of Targets of Raiders

Reich Policing

Must Be Lasting

Crowley Says

Seized Gold Ban on Aggression Is Voted

Seen Put to Human Rights Guaranteed

Reich's Use

France Liable to Laws

Death of French Soldier

By American 3rd Army

United Nations Adopt World Charter

President Hails Parley's Success

Truman Text Sees Basis for Better World

The World Charter

President Truman Tells Closing Session of San Francisco Conference Provides for Lasting Peace

SAF FRANCISCO — President Truman told the closing session of the San Francisco Conference to sustain their important peace plan for the world, the United Nations Charter, and to establish a world organization to maintain international peace and security.

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## Conservative Crusaders Quit Reagan Administration

Outsiders Who Became Insiders Grow Frustrated, Leave in Increasing Numbers

By David Hoffman

Washington Post Service

WASHINGTON — They were outsiders who finally became insiders, but many of the conservative crusaders who came into office with President Reagan have grown frustrated and are resuming in increasing numbers.

"The crusade is over," said one administration official who has returned to private business.

Norman A. Ture, one of the leading supply sides at the Treasury Department, left last week for the Heritage Foundation, the conservative think tank. Another supply sider, Paul Craig Roberts, has left Treasury for the Georgetown University Center for Strategic and International Studies.

Martin Anderson left the White House months ago to return to the Hoover Institution. Others are finding the constraints and compromises of government work not worth the trouble, still others are staying on despite frustrations.

They came to government with hopes that the Reagan years would be a chance to get their conservative, free market, supply-side, anti-Soviet convictions translated into national policy. Coming mostly from academics and think tanks, where they had been on the outside for years, they found that being on the inside was both exhilarating and frustrating.

"This administration has many, many more of these kinds of people," said Willa Johnson, a senior vice president of the Heritage Foundation who spent six months in the White House personnel office. "They are convinced their ideas will work, but they're not used to thinking in the political terms that an administration has to look at. They become impatient."

One of those recently caught up in the collision between conservative theory and practical politics is E.S. Savas, a Columbia University professor who has built his career around the idea that private enterprise should rescue troubled U.S. cities.

When he came to the Reagan administration as assistant secretary of Housing and Urban Development

Mr. Savas helped write this theme into the draft of the administration's first statement on national urban policy. The document concluded that cities had been weakened by federal aid and their future lay in "greater reliance on the free market."

But when the draft policy statement became public, touching off a furor among the nation's big city mayors, Mr. Savas was suddenly out in the cold.

White House officials announced that the policy had been sent back to the drawing board for more research. Secretary of Housing and Urban Development Samuel R. Pierce Jr. promised the mayors that it was only a draft and would "remain a draft."

The episode offered a glimpse into the ideological conflict that simmers between the administration's more pragmatic side and the conservatives who came to government determined to carry out a revolution from within.

This struggle for the administration's soul predates Inauguration Day, but lately some conservatives have decided to carry on the fight as outsiders.

Typical of them is Steve Hanke, a professor of applied economics at Johns Hopkins University in Baltimore, who took a leave of absence in June, 1981, to serve as a senior staff economist at the president's Council of Economic Advisors.

### Excellent Blueprint

"What attracted me was that the president had an excellent blueprint," said Mr. Hanke, who was enthusiastic at first. "Those first few months it was a hard charge — and everyone was on the same wavelength."

But the euphoria turned to doubt. Mr. Hanke said he felt that the administration did not carry its economic revolution far enough in cutting taxes and government spending.

He said he was discouraged when his free enterprise ideas for helping the timber industry with federal timber sales did not get off the ground.

"There's a large gap between the rhetoric and the

reality," he said. "Now, we're back to business as usual."

Mr. Hanke resigned and returned to Johns Hopkins with the feeling that "there are a lot of Republicans in Washington, but not a lot of Reaganites."

Joe Churba puts it another way: "Reagan without Reaganism." Mr. Churba wrote background material on the Middle East for Mr. Reagan, the presidential candidate in 1980, and later went to the Arms Control and Disarmament Agency.

### A Hard-Line View

Mr. Churba takes a hard-line view of the Soviet Union and said he went into the administration with the conviction that "arms control in itself" should "not be the centerpiece of Soviet-American relations."

But he became gradually disillusioned, he said, because, for one thing, "arms control became the administration's panic reaction to the nuclear freeze movement."

Mr. Churba resigned May 7 to return to the Center for National Security, a hawkish think tank here. He has no regrets about leaving the government: "Outside is the only place to be."

When Paul Craig Roberts and others began popularizing the idea of supply-side tax cuts in 1975, "we were a minority within a minority," he recalled.

As assistant treasury secretary for economic policy, Mr. Roberts was a principal architect of the supply side tax cuts Mr. Reagan won from Congress last year.

Mr. Roberts said he expected that the revolutionary change he wanted would have to be won very largely — or not at all. "You have to get your change up front, right away, before the PK people take over," he said. "And that's what we did."

But he grew angry and frustrated when many advisers urged the president later to raise new taxes. "I think the policy is in the process of being unraveled primarily by Republicans," he said.

Mr. Ture, the other supply sider at Treasury who was outspoken against new taxes, has said he who was outspoken against new taxes, has said he



Martin Anderson

## Salvadoran Rebels Say Honduran Incursion May Widen Conflict

By Juan N. Vasquez

Los Angeles Times Service

MEXICO CITY — Representatives of the Salvadoran guerrilla movement say the Honduran Army's reported incursion into El Salvador threatens to widen that country's civil war into a regional conflict.

Reports during the weekend said 1,000 to 1,500 Honduran soldiers had entered Salvadoran territory to help Salvadoran government forces fight insurgents.

"This threatens the peace of all of Central America," said Eduardo Solorzano, 32, Mr. Solorzano describes himself as the No. 2 leader of the Armed Forces of National Resistance, one of El Salvador's five insurgent groups.

### 'Won't Hesitate to Fight'

He said the rebels do not want to fight the Hondurans but that "we won't hesitate to fight them on their soil if that's what they want."

Mr. Solorzano was interviewed with two other rebels — Misael Gallardo of the Armed Forces of National Resistance and Napoleón Rodríguez Ruiz, a member of the Revolutionary Democratic Front. Both organizations have offices in Mexico City.

An army spokesman, Col. Alfonso Eusebio Cotto, refused comment on unofficial reports that troops from neighboring Honduras had crossed the border and fought Salvadoran guerrillas.

"But in those cases, they crossed the border and acted as a stationary force, trying to cut off our retreat," he said. "This time, they were actively seeking to engage in combat and they succeeded. We inflicted casualties on them."

Mr. Solorzano and Mr. Gallardo

claimed that the Salvadoran Army suffered 550 casualties in Morazán province last month. The Salvadoran Army does not release casualty figures, but its commanders have acknowledged that casualties were heavy.

The Salvadorans said they took 48 prisoners, including El Salvador's vice minister of defense, Col. Francisco Castillo. They said they captured 143 semiautomatic weapons that government troops left behind.

Mr. Solorzano said the losses showed that the government could not win militarily.

"We do not propose to win the war solely by military means either," Mr. Solorzano said.

"July is a very important month for us," he said, referring to a vote scheduled in the U.S. Congress this month on assistance to El Salvador.

### Troops Begin Pullout

SAN SALVADOR (AP) — Troops began pulling out of northeastern Morazán province Monday after battling guerrillas for a month, an army spokesman said. A rebel radio broadcast claimed victory for the insurgents.

An army spokesman, Col. Alfonso Eusebio Cotto, refused comment on unofficial reports that troops from neighboring Honduras had crossed the border and fought Salvadoran guerrillas.

### 16 Die in Honduras

TEGUCIGALPA, Honduras (AP) — Six persons reportedly were killed in bombings by guerrillas Sunday at two power plants.

The explosions Sunday night killed six workers at one of the power stations. Hospital officials said the explosions resulted in deaths of 10 hospital patients in surgery or under intensive treatment when a citywide blackout started.

### China Is Seeking Ties With Angola

Reuters

PEKING — China said Tuesday it was seeking normal diplomatic relations with Angola, seven years after the former Portuguese colony became independent under a Soviet-backed government.

New mineral deposits discovered on territory reserved for the aborigines are said to have encouraged Chinese states to encroach on aboriginal strongholds.

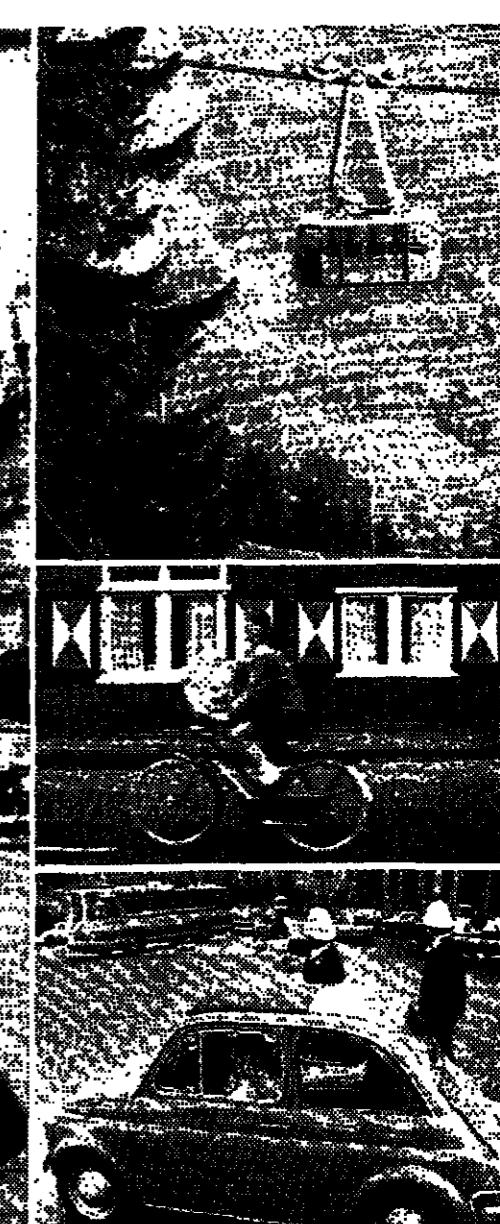
### French-Portuguese Accord

Reuters

LISBON — France and Portugal will establish a commission to draw up an agreement on technological cooperation in the arms industry, the Portuguese defense minister, Freitas Do Amaral, said Tuesday.

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## In Argentina, Grandmothers of the Missing Continue to Ask, 'Where Are the Children?'

By Dial Torgerson

*Los Angeles Times Service*

BUENOS AIRES — Some were picked up with their parents, and some were born in the camps where the military government imprisoned suspected subversives in the late 1970s. They are the missing children of the Argentine repression.

An organization of grandmothers makes endless rounds of government offices, always asking the same question: Where are the children?

"But they tell us nothing," said Enrique Estela Barnes de Carloto. "Somewhere out there, perhaps in this city, I have a grandson. Somewhere there must be a file that says where he is. No one will help me find it."

The Association of Grandmothers says there are 91 known cases in which the children of *desaparecidos*,

*desaparecidos*, or disappeared ones, are missing along with their parents.

Twenty-one were seized when their parents were killed or arrested. The others were presumably born while their mothers were in custody.

### Some Adopted

In some cases, the children apparently were a valued by-product of the junta's repression, and military families who wanted to adopt children sometimes took the babies of prisoners according to testimony given to international human rights agencies.

The grandmothers have a meeting place in a small apartment in central Buenos Aires. They keep their records there and plan the rounds of government offices and courts seeking information about the missing children. They say that they are sometimes followed and

that their telephones are disconnected, but they add that no one has been arrested.

Many of the secret police agencies believed to be responsible for seizing their sons and daughters have been dismantled, and the government now denies having any political prisoners.

In the late 1970s, according to human rights agencies, 6,000 to 14,000 Argentines were seized by military security forces. The exact number is not a matter of public record. Only a few hundred are believed to have survived.

The government broke up guerrilla groups of leftists and rightists who had rocked the country with bombings, kidnappings and assassinations. But at the same time, the government seized thousands of people on the slightest evidence, perhaps for no more than having an acquaintance in the underground.

"There were many women expecting the birth of their children," a survivor was quoted as saying. "They did not escape torture despite their condition. Their bodies showed the marks. A few days before delivery, they were taken to a room where the windows were hermetically sealed."

"After the baby was born, the mother was invited to write to relatives who would presumably take the child away. The victim was immediately transferred. The little one stayed behind. Then they took it away."

"From the moment of arrival, the fate of both was sealed — for the mother, transfer, for the child, an uncertain future. Under no circumstances could it be handed over to relatives, as it would be living proof of the mother's fate."

"A Lie"

Mrs. Barnes de Carloto, 51, a schoolteacher who retired to dedicate herself to finding the children, said that her daughter and son-in-law had been taken away Nov. 26, 1977, and that she had been informed of the birth of a grandson on June 26, 1978.

"Then, two months later, the police told me that she and a young man had been shot and killed in a car outside the capital when they failed to stop for a soldier's road-block. What a huge lie! She had been in a concentration camp. How could she be out driving in a car?"

In one case the grandmothers found children — sisters who had been put out for adoption through the court system. The grandmothers were able to arrange visitation rights and are pleased with the new parents, who are not connected with the military. The grandmothers believe that somewhere there are records of similar adoptions. But of the children born in captivity, they expect to find no legal record.

"But someone must know," said Maria Ferrasse de Urri, whose daughter-in-law, Susana, was 22 and three months pregnant when she and her husband were seized in May, 1976. "In November of 1976, I had word that she was alive, but nothing of the child. Since then I have heard nothing."

"In 1976, my grandchild must have been born," she said. "I don't know whether it was a boy or a girl. It would be 6 years old now. Somewhere in Argentina, there is this child. I must keep searching until I find out where."

### Fresh Information

"It was terribly frustrating knowing all this and not being able to relate it," he wrote. The journalists were given additional information by the local police chief, who was also a naval captain and was "would come fresh from the war room to tell us things."

On one occasion, according to Mr. Winchester, the official said that a British frigate, spotted near Cape Horn, "had been ordered to sink an Exocet," an air-to-surface missile that was to prove effective for Argentina, but "last-minute orders from Buenos Aires called the attack plane home" to Rio Gallegos, a nearby port.

Mr. Winchester wrote that he had been accused of using binoculars while waiting for a commercial flight to Rio Grande, also nearby, "to observe Daggars, Aeromacchis and a solitary Neptune anti-submarine plane" take off. "I took notes," he acknowledged, and ventured to ask a waiting pilot to identify the passing hardware.

### Medical Examination

He also said that after he had admitted meeting on three occasions with British military attachés an Argentine judge declared that the conversations "were as among

### U.S. Jet Skids on Takeoff

*The Associated Press*

BOISE, Idaho — A Republic Airlines DC-9 jetliner skidded off the end of a runway on takeoff at the Boise airport Monday as the pilot tried to stop the plane because of a warning light, officials said. None of the 79 passengers was injured.

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United Press International  
HOME AGAIN — A paratrooper, one of 250 members of the 2d and 3d Battalions of the Parachute Regiment returning from the Falkland Islands, was greeted by his mother Tuesday in Brize Norton, England. The paratroopers were welcomed by Prince Charles and their officers.

## 11-Year Study Shows Higher Risk of Mishap At U.S. Nuclear Plants

By Matthew L. Wald

*New York Times Service*

NEW YORK — A study of thousands of mishaps at nuclear plants from 1969 through 1979 has concluded that an accident as bad as the one at Three Mile Island, or worse, could have been expected every 10 to 15 years, given the equipment at the plants in that period.

The draft study, dated June, 1982, was made for the Nuclear Regulatory Commission by the Oak Ridge National Laboratory. It is a major reassessment of the risks of nuclear power.

The study found that a major accident was likely to occur once in 1,000 reactor-years, compared with the commission's historic Reactor Safety Study, completed in 1975, which found the risk to be one accident in 20,000 years of reactor operations.

The probability of accident established by the Oak Ridge study is "about 10 times higher than we would like to see it," said Robert Bernero, director of the Division of Risk Analysis of the regulatory commission. The commission recently set a safety goal of reducing the probability of accidents to one in 10,000 years of reactor operation.

### A Guide for Owners

The Oak Ridge report is to tell the plant owner "which are the most important systems in his plant, which are the most important and weak points in his plant, and where he should concentrate inspections, surveillance, testing and quality control," Mr. Bernero said.

He added, however, that the chance of accident had already been cut by changes ordered after the March, 1979, accident at Three Mile Island near Harrisburg, Pa.

The Oak Ridge study includes no data after 1979, and it is not possible to assess the value of each of those changes, he said. The report means that the official estimate has been revised from one accident in 20,000 years to one in 1,000 years, but officials feel that their new estimate is too pessimistic in light of recent safety improvements.

There are 74 operating nuclear power plants in the United States, so the nation gains 1,000 years of reactor operating experience every 13 and half years. Core damage at the Three Mile Island Unit 2 plant, the most severe power reactor accident ever, resulted in minor release of radioactivity into the environment, and it will cost about \$1 billion to repair.

The Oak Ridge study surveyed 19,400 failures in the 11-year period, and identified 169 as being potential contributors to serious accidents.

The study, called "Potential Precursors to Severe Core Damage," was undertaken after critics of the Reactor Safety Study, also known as the Rasmussen Report. That analysis, which focused on one reactor in Virginia, concluded that multiple equipment failures would have to occur before an accident could damage the core, and that the chance of such an accident was only one in 20,000 years of operation.

The new study measured the frequency with which single failures occurred. "What we discovered is that in some cases, events were shown a higher probability than we had predicted," Mr. Bernero said. For example, he said, small leaks of cooling water were more common than expected.

The one-in-1,000 years of operation estimate was made by combining the risk estimates for failures of individual systems.

The significance of the 169 incidents, all of which had been previously reported, is disputed. Many of the failures posed little threat because they occurred in plants that were temporarily shut down, and in most incidents, several additional failures would have been required to produce a serious accident. Some resulted in worker exposure.

During the weekend, Public Citizen's Critical Mass Energy Project, an anti-nuclear group affiliated with Ralph Nader, distributed copies of a draft version of the report and described the incidents studied as "potential meltdowns."

Noting the frequency of safety incidents, Richard Udell, a safety analyst with the group, said, "It's only a matter of time before there is a serious accident."

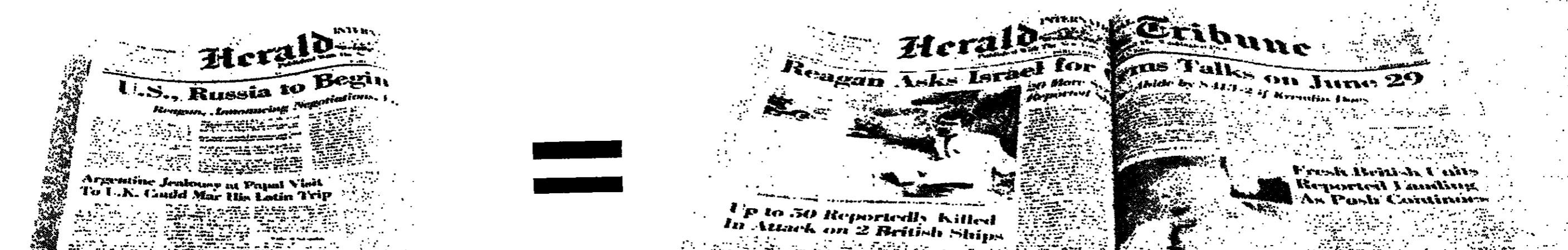
Of 347 steps in the "action plan" established after the Three Mile Island accident, 236 had not been completed by January of the year, including 123 of the highest priority, Mr. Udell said.

### Anti-Nuclear Protesters Held for Attacking Sub

GROTON, Conn. — The police have arrested nine protesters who gave themselves up to shelling of officials after attacking a U.S. nuclear submarine and painting "U.S.A. Auschwitz" on it.

A spokesman for the protesters said that on Monday members of the group had boarded the Trident submarine Florida from a boat, hammered on the missile hatch, poured blood into them and damaged two sonar devices. They then gave themselves up to officials from Electric Boat, a division of General Dynamics Corp., in Groton, the spokesman said.

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## San Francisco Gun Ban Sets Stage for Showdown in Courts

By Philip Hager  
Los Angeles Times Service

**SAN FRANCISCO** — Ordinarily there would be little to unite the National Rifle Association, the White Panther Party and Gays for Guns.

Yet in politically fractious San Francisco, those and other diverse groups have joined in opposing Mayor Dianne Feinstein's plan to ban the possession and sale of handguns, a move she calls "domestic disarmament."

San Francisco is going ahead with the ban, and the stage is set for a legal test of the power of municipalities to control guns. At issue is whether the city has power to regulate firearms in view of state laws on the subject and the U.S. Constitution's Second Amendment guarantee of the right to keep and bear arms.

"Calls to my office are running four to one against the ban," said Supervisor Carol Ruth Silver, a member of the recently organized Committee Against Confiscation of Handguns. "People feel they're threatened with crime and violence and that they need handguns for self-protection. They intend to defy the law."

If and when the ban takes effect, she said, she will replace her handgun with a shotgun. "My home will not be defenseless," she said.

The San Francisco homicide rate jumped 16 percent last year and half of the 126 killings involved handguns.

"This is the first time in America that a large city has spoken out to say we've had enough death, desecration and dismemberment from the handgun," Mayor Feinstein said as she signed the ordinance last week.

The measure makes it a misdemeanor to sell or possess pistols in the city limits. Violators would be punished by up to 30 days in jail. The measure exempts the police, the military, licensed target shooters and gun collectors, private investigators and security guards, as well as owners of businesses who hold a permit.

The law will not go into effect until July 28, and then gun owners will have 90 days to get rid of their

weapons or get a court injunction against enforcement.

The ordinance goes further than a California state handgun initiative scheduled to be put before the voters in November. That measure would require registration of handguns, a move she calls "domestic disarmament."

A spokesman for Californians Against Street Crime, the organization sponsoring the initiative, sees no conflict between local handgun bans and statewide registration, but he says the November initiative is more likely to win approval both by voters and the courts.

When the measure came up for final approval, Supervisor Richard Hongisto, a former sheriff, urged its adoption, noting that there were other means available for self-protection — dogs, burglar alarms, window bars and rifles.

"Rifles are very good for killing," Mr. Hongisto said. "If you feel

that you need to kill someone entering your home, I suggest you consider a rifle."

Supervisor Quentin Kopp said the ban would be futile because of dubious legality. The district attorney said he believed the ordinance was unconstitutional.

It nevertheless passed by a vote

of 6 to 4. Now the battle shifts to the courts.

Across San Francisco Bay, Berkeley passed a similar ban last week but delayed implementation pending a test of its legality. Other proposed bans are pending in the nearby communities of Sunnyvale and Palo Alto.

San Francisco's legal argument against the constitutional argument is that the right to bear arms is a collective right for common defense, not an individual right. Lawyers for the city are encouraged by a recent ruling in a U.S. District Court in Illinois upholding a handgun ban enacted by the village of Morton Grove.

The state constitution sets forth

"inalienable rights," among them, "defending life and liberty, acquiring, possessing and protecting property, and pursuing and obtaining safety, happiness and privacy."

Supervisor Silver, an attorney, says a handgun ban would discriminate against minorities and persons with low incomes. "Where the police are unable to offer adequate protection, particularly in less affluent communities, it is a denial of equal protection to take self-defense mechanisms away from the people," she said.

The space shuttle's heat tiles can withstand temperatures reaching 1,650 degrees Celsius (3,000 degrees Fahrenheit) upon re-entering the atmosphere. Sunday, for the first time, all 31,000 returned intact.

## NASA Official Reports Columbia Returned in 'Really Good Shape'

By Nicson Himmel  
Los Angeles Times Service

**EDWARDS AIR FORCE BASE**, Calif. — Columbia, the space shuttle, came through its seven-day voyage "in really good shape," according to James F. Harrington, ground operations manager for the National Aeronautics and Space Administration.

Mr. Harrington said Monday after a preliminary examination that only about 20 of the heat protective tiles on the shuttle were damaged. And for the first time, Columbia returned with all of its 31,000 tiles intact. The tiles protect the orbiter from the furnace-like heats of re-entry into the Earth's atmosphere.

### Minor Engine Leak

The astronauts, Capt. Thomas K. Mattingly and Henry W. Hartman, were reported resting and in good shape at their homes in Houston, where the Johnson Space Center is located.

Mr. Harrington reported only one other mishap, what he termed a "very, very minor leak" in a for-

ward thruster engine after landing. The engine lost less than a quart of its oxidizer fluid from the seat, he said.

There was less damage to the underside of the DC-9 sized fuselage this time because of the landing on the concrete runway at Edwards, Mr. Harrington said. The underside had formerly been pelted by pieces of gravel and clay when landing on the lakebed at Edwards or White Sands Air Force Base in New Mexico.

All of this, Mr. Harrington said, gives me inclination to bring it home next time."

He was speaking of the concrete runway at Kennedy Space Center at Cape Canaveral, Fla. The Columbia ended its roll 4,160 feet from the end of the 15,000-foot concrete runway, the same length as Kennedy Space Center's concrete runway.

Present plans are to place the Columbia on a 747 carrier plane at NASA's research center here and then fly it piggyback to Florida on July 15.

NASA officials are so confident of Columbia's performance, Mr. Harrington said, that they will disconnect its emergency ejection system at Cape Canaveral along with some experimental test systems. This will permit the carrying of two additional passengers. The astronauts who are mission specialists and will occupy two seats below the pilots' flight deck.

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## Challenges Would Test 2 Constitutions, California Law

but it contends that if the Legislature wanted to prevent local bans it would have said so specifically.

The challenge now being drafted by the citizens committee will assert that the ordinance violates not only the Constitution's right to bear arms, but also its guarantees of equal protection and due process, as well as a "right to self defense" implicit in California's state constitution.

The state constitution sets forth "inalienable rights," among them, "defending life and liberty, acquiring, possessing and protecting property, and pursuing and obtaining safety, happiness and privacy."

Supervisor Silver, an attorney, says a handgun ban would discriminate against minorities and persons with low incomes. "Where the police are unable to offer adequate protection, particularly in less affluent communities, it is a denial of equal protection to take self-defense mechanisms away from the people," she said.

## U.S. Youth Tries to Put Mistaken Arrest in Past

The Associated Press

**DALLAS** — Two years ago, honky or student Jeffrey Covington was identified by an undercover police officer as a drug dealer and hauled away in handcuffs from Bryan Adams High School. It was a case of mistaken identity.

The San Francisco homicide rate jumped 16 percent last year and half of the 126 killings involved handguns.

"This is the first time in America that a large city has spoken out to say we've had enough death, desecration and dismemberment from the handgun," Mayor Feinstein said as she signed the ordinance last week.

The measure makes it a misdemeanor to sell or possess pistols in the city limits. Violators would be punished by up to 30 days in jail. The measure exempts the police, the military, licensed target shooters and gun collectors, private investigators and security guards, as well as owners of businesses who hold a permit.

The law will not go into effect until July 28, and then gun owners will have 90 days to get rid of their

had their facts straight — on everybody, not just me, but on all the people they arrest."

His lawyer, Paul F. Carnes, thinks it should have been adjudged police negligence, but Texas law states that a law officer cannot be held liable for an honest mistake.

Inconsistencies soon began to emerge. Mr. Covington was home sick the day he supposedly sold drugs to the undercover officer. The other suspect told Mr. Covington's mother he had never seen her son.

His mother turned her evidence over to an assistant district attorney who arranged a meeting between Mr. Covington and Janice Jenkins, the undercover police officer.

"When we first brought Jeff into the room, she kept scrutinizing his face," his lawyer said. "Then she asked him to speak. After he spoke a sentence, she thought just a second [and said] 'No, that's not the

right Jeff.' She could not be reached to discuss the case.

Mr. Covington has received \$4,200 in a settlement with the Dallas Independent School District.

"When a 16-year-old goes through an ordeal like Jeff did, that's hardly compensation," said his mother.

### Terrorists Said to Kill 315 in Italy Since 1969

United Press International

**ROME** — Since 1969, political terrorists in Italy have carried out 13,000 attacks of various kinds, killing 315 people and wounding 1,075, Interior Minister Virgilio Rogno told Parliament Tuesday.

Since 1974 terrorists have assassinated 11 magistrates and 72 members of the security forces, he said, adding that terrorists or presumed terrorists in jail at present include 1,477 leftists and 451 rightists.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Refugees in General ...

From THE WASHINGTON POST:

The first refugees to arrive in America came ashore at Plymouth in 1620. The Pilgrims, fleeing religious persecution in their homeland, were not like their fellow Englishmen who had settled in Jamestown 13 years earlier. The first Virginians were well established, secure, even prominent in their homeland but came to the New World seeking economic opportunity. Both kinds of settlers found what they were looking for, as did millions of others who came in a virtually unrestricted stream for another 300 years.

After World War I, numerical quotas for immigrants were adopted, but no special category was provided for those fleeing from persecution. After World War II, however, it became clear that Americans wanted to assume a special obligation for persons who were victims of persecution, and it was decided to admit such refugees in numbers over and above the quota for regular immigrants. In the 1940s, America took in hundreds of thousands of persons who had been displaced by the war and had fled their communist homelands. After the Vietnam War, it assumed the indisputable responsibility to accept and resettle *all* a million Indochinese. More recently, Congress has been asked to grant special asylum to 125,000 Cubans and Haitians who arrived in 1980.

In 1980, Congress enacted legislation to create a framework for the admission of refugees that would be both fair and flexible. A definition of "refugee" was adopted: a person who is unable or unwilling ... to return to his country because of persecution or a well-founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion." Fifty thousand such persons can be admitted each year, and if he believes it is necessary the president can admit an unlimited additional number as long as he notifies Congress. Last year that number rose to 217,000.

Because the quota for regular immigrants fills up rapidly, more and more would-be Americans are claiming refugee status and asking for admission in that category. Because admissions for refugees are virtually unlimited, it is easy to see why this status is

desirable. It is terribly difficult, however, to put people in simple categories. Most immigrants move for a combination of reasons, as so many of the earlier immigrants did. Catholics were not happy in British Ireland. Jews suffered discrimination in Eastern Europe and Huguenots in Catholic France, but they also came because they wanted a better life economically. One would be hard pressed to call them either refugees from persecution or economic immigrants, since they were both.

This is the dilemma faced by the Immigration and Naturalization Service in sorting out the demands of more than 100,000 Haitians. Ethiopians, Nicaraguans and others who have claimed asylum — refugee status — in the United States. The test is not whether their country of origin is less than a perfect democracy, but whether each applicant, as an individual, would suffer persecution if he returned to his homeland. Unless a personal jeopardy can be demonstrated, the applicant is considered an ordinary immigrant and must wait at the end of a very long line.

The magnitude of this problem increases daily. War in Central America has brought tens of thousands. A comparable number of Haitians has already arrived, and the government estimates that another 40,000 are in the Bahamas waiting to immigrate if their compatriots are granted refugee status. The state of Florida, in particular, is hard pressed to care for these aliens. 70 percent of whom are now receiving some form of welfare from state and federal governments.

The burning desire of so many refugees and immigrants to come is a tribute. They come not simply because America is prosperous but also because it is free. The sad fact is that Americans are no longer able to follow humanitarian instincts and accept, as has been done for so many years, anyone who wants to come. Because of economic conditions and the need to maintain social and political stability, the flow must be regulated and hard choices made about who will be admitted. As a result, distinguishing real refugees from the hundreds of thousands of desperately poor people who simply want a chance in the United States is becoming the most difficult and painful choice of all.

## ... and in Particular

From THE NEW YORK TIMES:

What is it about 1,910 pitiful Haitian migrants that makes otherwise reasonable Reagan administration officials so relentless? The Haitians are poor, ragged, black people desperate to escape poverty or persecution. If they can show the likelihood of persecution back home, they can stay, legitimate refugees. If not, they must return. The issue has been what to do with them in the meantime.

Throughout the year the Haitians have had a choice: Go back to Haiti, where many face beatings, extortion and death, or stay in the detention camps. Most have stayed.

How do they feel about it? Suicidal, for one thing. Some swallow shards of glass, try hanging themselves with trousers, cut their wrists. Just since April there have been 30 suicide attempts or "suicidal gestures." Federal psychiatrists report a "rather alarming increase" in mental disturbance.

The fault is not in the principle of detention. The United States has a right to control its borders. It has a duty to protect applicants patiently waiting for legal admission against gate crashers, however pitiful. What is wrong is that, as the case has dragged on, the most creative, humane policy the U.S. government could contrive was to keep them locked up.

Last month it looked as if the administration was finally willing to bring mercy to bear. Attorney General Smith proclaimed an "experimental" release program. But even that program would not let many out, or soon. A few days later it was improved on by a judge in Miami who ordered all the Haitians released (except for 53 held in Brooklyn, part of another case).

It is hard to see why the Justice Department lawyers would object to the judge's plan. They admit that it is not so different from their own. The Haitians would be released only to sponsors approved by the Immigration Service. They would have to report weekly, to assure they don't disappear before their refugee-status hearings. If the government wishes to deter other Haitians, there is no barrier to the detention of new illegal migrants. Nevertheless, the judge's plan is good enough for the federal lawyers. They want a court of appeals to block it.

They have to know that, win or lose, it will take the court weeks, possibly months, to rule — weeks or months longer in which most of the Haitians would have to remain in the detention camps. Why? Why such cold determination to extract the last ounce of suffering from the pitiful 1,910?

## Other Editorial Opinion

### Pressures of Practicality

There is no permanent settlement to be sought which does not involve Buenos Aires. "Permanent" is the word to grasp, in a world of impermanent prime ministers and deeply impermanent juntas. A strictly military outcome cannot endure. The rhetoric of Fortress Falklands will wane. Governor Hunt will retire to Surrey and his memoirs. British governments will, in the end, succumb to permanent pressures in the world outside — pressures, in the future as in the past, of geography and practicality.

— *The Guardian (London)*.

Britain's military success in the South Atlantic could transmute into a long-term burden. There seem no signs that Argentina will reconcile itself to defeat whatever the regime, and this would mean tying up British forces that could be better employed in NATO. The question that now has to be faced is whether the interests of the Falkland Kelpers can be served without paying a price that Britain and the West as a whole can ill afford. For the time being, London cannot do other than restore its rule, but the military decision does not eliminate the need to plan a new future acceptable to all concerned.

— *Neue Zürcher Zeitung (Zurich)*.

Britain's success cannot change geography. The Falklands remain 250 miles from Argentina and half a world from England. They are

economically next to useless and can be defended only at a cost more than they are worth.

Prime Minister Margaret Thatcher should let Argentina know that negotiations should be resumed after a decent interval.

Mrs. Thatcher now must resist the simplistic slogan being voiced, to the effect that if islands were worth fighting for, they are worth keeping. In the long run, they aren't.

— *Scripps-Howard Newspapers*.

### Angola, Cuba, Namibia

[Cuban military personnel] are in Angola at the request of the government of Angola to cooperate in the defense of the country's territorial integrity, which is constantly threatened and attacked by the racist South Africans, their mercenaries and their puppets. [The Cubans' presence] has no relation to the problem of Namibia. Raising the "Cuban troops" issue is a way of blocking the decisions of the international community.

— *The Angolan news agency ANGOP*.

It is six years since Security Council resolution 385 called for South Africa's withdrawal from Namibia and free elections. If the complex pieces do fall into place, the search for a lasting peace in southern Africa will have taken a momentous step forward and the West's wandering credibility in Africa will have been restored.

— *The Times (London)*.

### JULY 7: FROM OUR PAGES 75 AND 50 YEARS AGO

#### 1907: On Japanese Ambition

**NEW YORK** — The Herald comments: "The disquieting commercial situation in the Far East and the crystallizing national sentiment in Japan to absorb the trade and power of the Asiatic seas has been set forth with convincing clearness in a letter published in this paper. The writer asserts that the import of paper to control Eastern Asia by her own colonies is manifestly unfair, because it disregards the rights granted by the treaties still in force. Britain is in a great degree responsible for this mischief by the unwise alliance that complemented the war preparedness of Japan. But the United States, the foster mother of the Japanese, is equally responsible."

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## ARTS/LEISURE

**Beer That Made Qingdao Famous**

By Michael Weisskopf  
*Washington Post Service*

**Q**INGDAO, China — Except for Karl Marx, the most important German contribution to modern China may be the beer that made this city famous.

Tsingtao beer, produced here since Kaiser Wilhelm had a brewery built for German settlers in 1903, is China's premier brew. In a society short of delicacies, a bottle of Tsingtao is cherished as Havana cigars or Beluga caviar might be somewhere else.

Tsingtao has won gold medals and recently moved Red Army Marshal Ye Jianying to write a poem comparing it to a famous plum wine of classical times. When communist officials visit this resort city on the Yellow Sea, they go to the old brewery for a little inspecting and a lot of imbibing.

Three years ago, Peking mandated a new system for rendering Chinese characters into Roman letters, but although this city's spelling was changed from Tsingtao to Qingdao, no one dared to tinker with the name of a beer now exported to 30 countries.

Few other products of China's colonial past have survived 33 years of communist rule. European churches and racetracks have been razed. Rickshaws and coolies are long gone and street names have been altered.

Tsingtao beer, however, has flourished. Output has increased more than forty-fold since 1949. Even at 63 cents per bottle — about half a month's rent for many urban Chinese — supply falls far short of demand.

Like everything else that works well in communist China, Tsingtao is officially praised as a socialist virtue. "The purpose of revolution is to raise production to meet the people's demands," declared the brewery's political commissar. "Beer is just one thing people demand. In capitalist countries, the people go on strike because their demands go unsatisfied. That doesn't happen here."

However, the fragrant, yeasty brew is enjoyed by few socialists in China. Seven of every 10 bottles are sold abroad, reserved for capitalists who pay hard currency. Although plans are afoot to double produc-

tion, the increase would mean "We will give a little more to friendly countries," said brewery liaison officer Zhang Xiyang.

Tsingtao's formula has remained untouched since German beermakers opened the squat, red-brick brewery here almost 80 years ago. The kaiser's troops occupied this coastal town in 1897 after a German priest was killed by the Chinese. The Teutonic presence was a brief and unhappy one for the occupiers who were accused of mistreating coolies and forcibly imposing their European culture.

"If a Chinese was killed by a German, the German had to pay 20 silver dollars," said local historian Li Hai. "But when a Chinese killed a German priest, the Germans thought it was so serious they took over."

On the kaiser's birthday, the medieval Chinese town was turned into a miniature Munich with firework displays, red banners strung from archways, brass bands and, of course, flowing beer.

Mixing an old German recipe with the cool, clear springs of Lao mountain 20 miles away, Tsingtao's founders did more to elevate the kaiser's name than anything else in 17 years of German control.

For those who cannot afford or find Tsingtao, beer is served up "raw" in large plastic buckets at restaurants and parks. Sold by the ounce, it costs about one-quarter as much as a bottle of Tsingtao. Almost every small city produces its own brew, of varying quality.

Tsingtao, however, remains the Chinese king of beer, regularly rhapsodized by Chinese officials and foreign visitors. Last year, West German beer makers visited the brewery. After entering the plant, the Germans were offered cups of hot tea, the Chinese custom for welcoming travelers. The visitors asked for beer.

At banquets, the Chinese hosts toasted with the fiery Chinese spirit *mao tai*. The Germans toasted with beer. Every night after dinner, the Germans retired with several bottles of the beer.

As the delegation prepared to float off to other parts of China, the leader stopped at the brewery for a farewell visit. He thanked his hosts and sheepishly asked for two more cases of Tsingtao.

**When Children Start to Swear**

By Nadine Brozan  
*New York Times Service*

**N**EW YORK — The child comes home from nursery school and proudly pronounces a new word — an obscenity. Its mother flinches. "Where did you learn that?" she asks with astonishment that is evident to the child. "From my friend," the child replies.

It is inevitable, according to psychiatric authorities, teachers and parents, that children will hear obscene words from friends, and, because they are so impressed with the attention the words can generate, will use them.

Discussing parental reactions, Dr. E. Gerald Dubois, a child and adolescent psychiatrist, and an associate clinical professor of psychiatry at the Cornell University College of Medicine, said: "Most parents are startled when they hear an obscenity from a 4-year-old. Others who use the words freely themselves don't even hear it."

While such words have always provoked controversy, society has become increasingly lenient about them since Americans began bringing the language of stress back from World War II, according to Chaytor D. Mason, associate professor of human factors-psychology at the University of Southern California, Los Angeles.

As Mason, who has made a

study of coarse language, sees it, blurring it out occasionally may be healthy: "In some situations, say, when the child is fixing his wagon and hits his thumb, he could either hammer the wagon to pieces or swear to release the tension. Swearing can restore physical calm to the body and give a feeling of control."

Adults often misunderstand why children swear. Dr. Bernice Berk, psychologist at the Bank Street School for Children, said: "They may be verbalizing rather than acting out. When adults focus on the words and not the feeling, they may miss what has occurred. So instead of saying, 'Don't use such language,' try saying: 'Why are you so angry? There are a lot of different ways to tell me you're angry beside those words.'"

In many cases children are not swearing because they need relief. According to the experts, children are particularly attracted to swearing during two stages of development.

The first is the nursery-school years, when they are amused by words related to excretion. It is also then that they use sexual words without having any idea what they mean. Dr. Albert J. Solnit, director of the Child Study Center at Yale University, suggests when that happens that parents admonish: "That is not a nice word and I would rather you didn't say it. If you want to know what it means I'll tell you."

The second stage is early adolescence, when the use of coarse language has different purposes. Dr. Sheldon M. Frank, a psychiatrist with a practice in Scarsdale who is clinical associate professor of psychiatry at the State University of New York's Downstate Medical Center, said: "Then is part of the peer culture. Profanity makes boys feel that they have a tough-guy image and gets rid of any hint of homosexuality in their eyes. It also gives an aggressive tinge that allows boys to show some interest in girls while keeping a certain emotional distance."

Joan Bondy, president of the Parent-Teacher Association of Public School 59 in Manhattan, was taken aback when her older son, Joseph, now 14 years old, began to swear three years ago. "Initially I objected, but then I realized I had used the same language and decided I couldn't continue to do that and reprimand him," she related.

"I allowed him to continue for a while because he was going through a great number of changes, including starting a new school. But finally I suggested that with his interest in vocabulary, perhaps he and his friends might find other ways to make one another over the coals without using foul words. Now they're very sophisticated and they use a lot of colorful language from Shakespeare."



Lenny Skutnik at the "Gathering of the Greats."

**Lenny Skutnik: Fame Is a Suitcase of Letters**

By Paul Hendrickson  
*Washington Post Service*

**N**EW ORLEANS — Some people are born to fame. Some grow into it. Nowadays, when it's possible to make anyone in the United States a celebrity for 15 minutes, some people are famous just for being famous.

Nothing ever prepared Lenny Skutnik to be famous. At 28, he has a nervous smile and sad, deep eyes and a blocky body and a job running copy machines in the Congressional Budget Office. But poets find their poems, and heroes find their moments. For a single moment last Jan. 13, a man lived instantly in history. On a day when nature alone seemed in control, and a plane was sinking in the Potomac, Lenny Skutnik threw his coat to the ground and dove into the river and swam desperately toward a woman whose eyes had rolled back in her head.

**Instant Hero**

Recently that same man came with some ambivalence to Louisiana to participate in something called the American Academy of Achievement. The program notes billed him as "a new and instantaneous American hero."

At the banquet, mixed and bemused like all the rest, Lenny Skutnik sat wedged between Brooks Shields and the conquering basketball-coach of the North Carolina Tar Heels.

Down the dais were Dr. Edward Teller and the founder of Haagen-Dazs ice cream and Big Jim, James Dozier and Tom Landry, and a 21-year-old hockey star.

In a way Lenny Skutnik was having none of it. "I know when all this is over I'm just going to be Lenny Skutnik again," he said. "It's about over now. Heroes don't think of themselves as heroes. That's just a word other people want to call them."

In the six months since the crash of Air Florida Flight 90, Lenny Skutnik has tried to remain Lenny Skutnik. He has neither left his wife nor announced he is being handled by International Creative Management.

In those first mad days, the president called him. A joint session of Congress stood and applauded him. One afternoon, he and his wife Linda sat and combed. The phone rang every 10 seconds. There has been the laying on of new watches, and trips in the private jets of governors and titans on "That's Incredible."

Lenny Skutnik is sitting in a room on the 19th floor of a New Orleans hotel. Down below, the Mississippi River glows darkly to the Gulf. He clears his throat, tamps another Marlboro on a tabletop. He is trying to get this right. He is talking about a suitcase in the closet of a townhouse in Lorton, Va. There are 2,000 letters in that suitcase, carefully stowed.

"These letters are private. There are deep emotions in them. People wrote and told me they were jumping up and down in their living rooms in front of the television that day, crying screaming watching that girl drown, saying 'Do something, do something.' So I was really acting for them, don't you see? That's what it boils down to. Some of these people told me they were terrified of expressing true feelings about anything. And what that day did was bring those true feelings right out of them. They cared for that girl as much as I did."

So an anonymous federal employee, a car-pooler on I-395, with two kids and a high-school education, and an annual wage of \$14,000, leaps onto the Potomac River, becomes someone in front of him is dying. Then or now, he doesn't know any more than this why he did it. He was there. He was healthy. Someone was crying out.

And that night a secretary from ABC's "Nightline" show arrives in Lorton in a limousine (Lenny is still not home) to tell Linda Skutnik that 10 million people, abso-

lutely minimum, are waiting to see her husband interviewed live by Ted Koppel.

"And you think they're bad," he says. Lenny Skutnik laughs savagely. "I called 9. I call those folks the fumiture movers. They come in, they move this here, they say, 'Move that there.' They go right for the telephone. A network correspondent I won't name brought over. Priscilla's father-in-law and stuck him in front of me on the sofa. That poor man's tear ducts were out to here. They were just waiting for him to break down in my house in front of the cameras. I wanted to take that correspondent in the back room and beat the hell out of him. That's one thing this whole experience has done for me. I can speak up now."

Priscilla is Priscilla Tirado, the woman with the streaked eyes in a nation's TV consciousness. She couldn't grab the lifeline; she got a human one instead. Now, six months later, Priscilla Tirado is down in Florida with her family, still recuperating. On Jan. 13, Flight 90 was bringing her and her Spanish husband of two months to the United States to start a life together.

"I called her up just yesterday. It was basically, 'How are you doing, how are you coping?' She sounded far away. She's still kind of lost. I don't call her a lot. I don't want her to feel she owes me anything, because she doesn't. That would be just one more thing for her to get over."

Lenny Skutnik was going to pass up the 21st annual convening of the American Academy of Achievement. In the past weeks and months, Skutnik has turned down offers to see Hawaii and Canada and Puerto Rico.

But then he figured he had never been to New Orleans. Also, he was curious about Brooke Shields, who he supposed got chosen for reasons other than his own. Then, too, his mother and stepfather live in southern Mississippi and would be able to come over for the weekend to see him.

The American Academy of Achievement is a tax-exempt, non-profit organization that holds a "gathering of the greats" once a year in a different city. Honorees seem to get chosen for a variety of reasons: who's "hot," who's rich, who's beautiful. It's the watery line where destiny and timing converge to create fame, or at least the illusion of it. The aims of the Academy are to "inspire youth with new dreams of achievement in a world of boundless opportunity. To salute all men who give their best efforts to their daily tasks. To rekindle the ideals and principles that made America grow and prosper."

Said Wayne Reynolds, managing director of AAA: "Maybe Lenny Skutnik is not the chairman of AT&T, maybe he's not a famous hockey player, he's just a little guy doing the best he can."

Said Madelyn Franklin, Lenny Skutnik's mother: "I think God used him to show we could care."

Said Lenny Franklin III, Lenny Skutnik's kid stepbrother: "Kids at school ask me, 'Why don't he take all that money?' 'Why don't he take all them trips?'"

Over in a photo gallery in the French Quarter, an old Louisiana black man sweeping the floor says, more to himself than to somebody who has ventured in: "The way I see it, living is an adventure. Surviving is an art."

**Haydn Scores Found**

*The Associated Press*

**S**YDNEY — Four original manuscripts of the string quartets Opus 50, by the 18th-century composer Joseph Haydn have turned up in Australia. According to Australian press reports, the manuscripts, which belonged to the family of a Melbourne resident for about 200 years, have been authenticated by Dr. George Feder of the Joseph Haydn Institute in Cologne.

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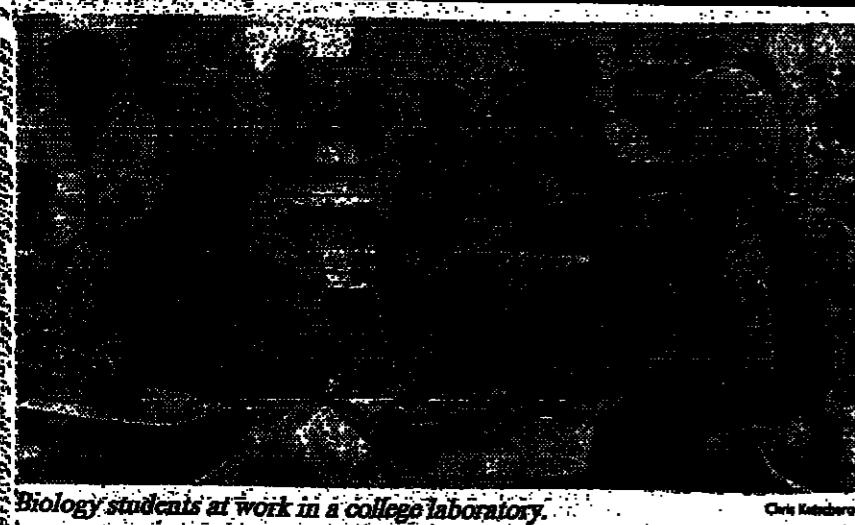
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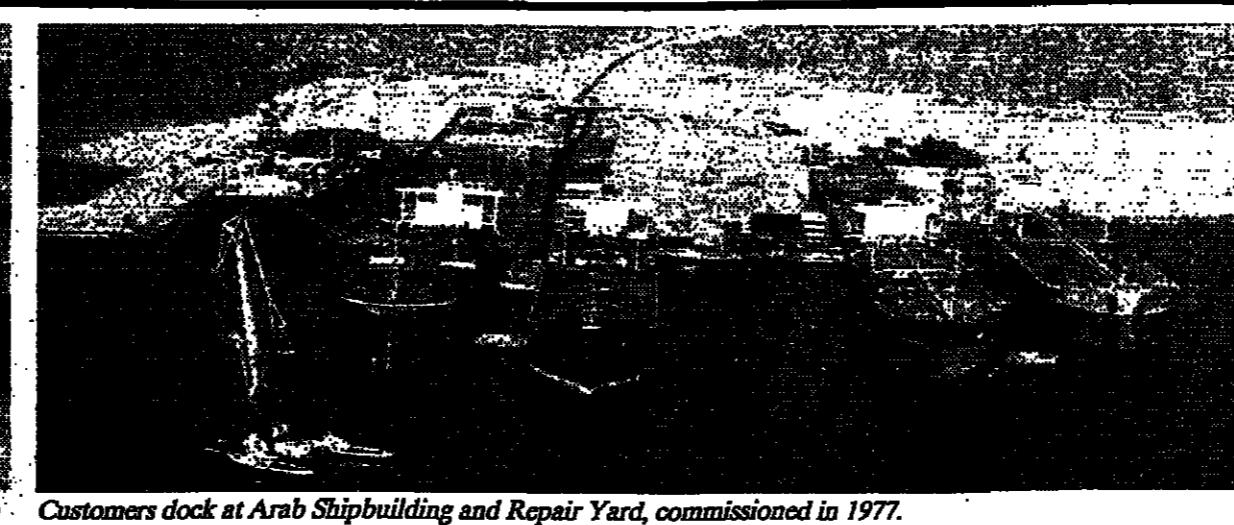
BUS AND COACH SUMMER GAMES 1983

AND GOLF CHAMPIONSHIP HELSINKI 1983

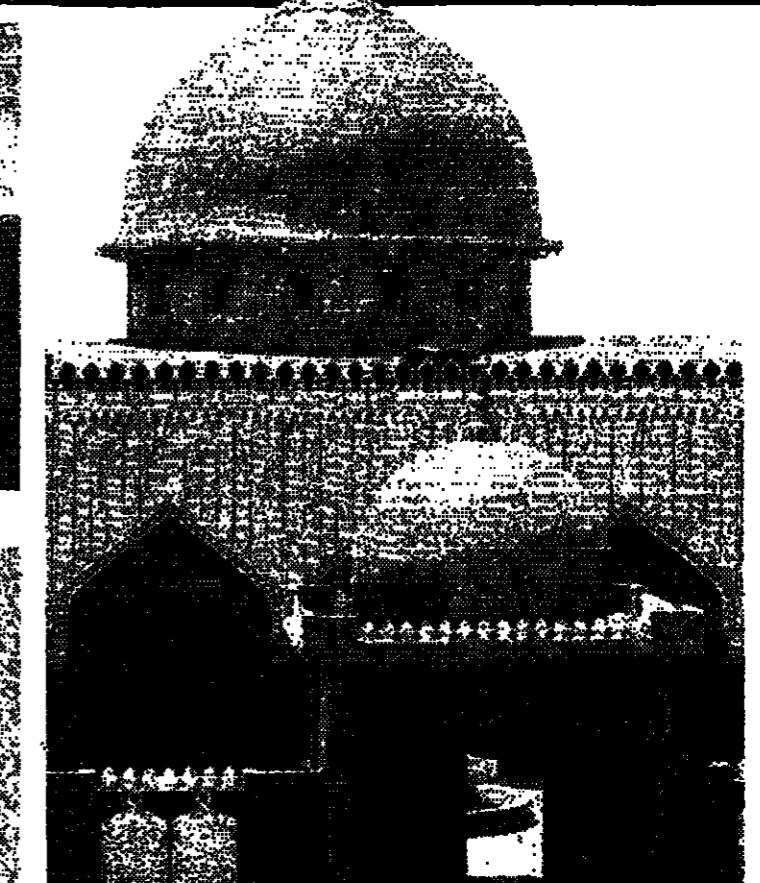




Biology students at work in a college laboratory.



Customers dock at Arab Shipbuilding and Repair Yard, commissioned in 1977.



One of the many mosques throughout Bahrain.

Jorgen Schaefer

## Herald INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

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JULY, 1982

# INDUSTRY

## Prominent Reserves of Natural Gas Our Creation of Regional Projects

In 1965, the Bahrain Petroleum Company, then the main employer on the island, sacked hundreds of Bahraini workers, firing off a series of student protests — and riots that rocked the country for three days.

The next year, according to the oral story, Prime Minister Ishaq Khalifa bin Sulman al-Sifa, with "visions" of unemployed workers and graduates looming before him, decided after a trip to the United States and Japan that it was time to industrialize Bahrain.

The task was left to the inexperienced Yousef Shirawi, who is now Bahrain's minister of industry and development. He borrowed an oil company engineer, Dennis Jones, recruited a young teacher, Hamed Qasim, now the commerce and agriculture minister, together the three over the 12 months, ran through more 200 ideas for suitable industries, both large and small, and came up with nothing.

May, 1967, Mr. Jones happened to sit next to a certain Mrs. Dale, a British banker, while he was attending a seminar in the United States. He mentioned that Bahrain was trying to find an industry and Mrs. Tyndale said she had heard in London about some aluminum users who wanted to go into the smelting business to assure their supplies. They were looking for an area that was politically stable with cheap energy supplies.

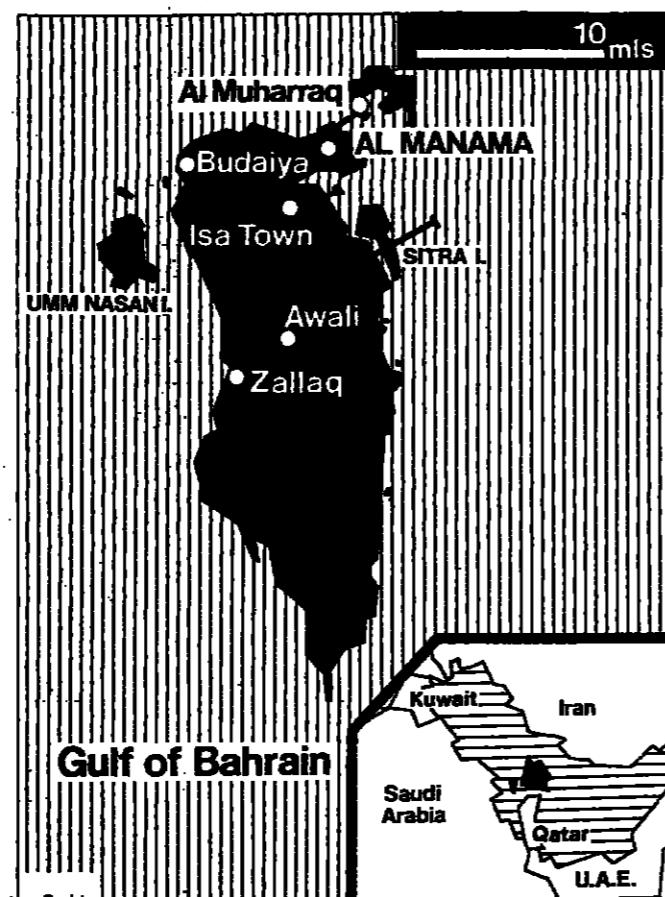
Mr. Jones called Yousef Shirawi. He packed his bags. And thus was born the Gulf's first native-owned industry, Alba (Aluminum Bahrain).

Mr. Shirawi says the decision to go into aluminum was made June 5, 1967 — a date I remember very clearly, a date remarkable in the history of the Middle East — it also marked the start of the Arab-Israeli war of 1967.

Since then, Bahrain's wealthy neighbors, motivated by economic factors but also by the desire to prop up the poorest oil producer in the area, have decided to make Bahrain the site of several heavy industrial joint ventures. The Arab Shipbuilding and Repair Yard was born in 1977 and the Gulf Petrochemical Industries Company, the Arab Iron and Steel Company, the Heavy Oil Conversion Company, and the Gulf Aluminum Rolling Mill Company are all in incubation.

Scaling up regional heavy industry.

(Continued on Page 115)



## OLD AND NEW

### Royal Family Strives for Balance Between Tradition and Modernity

THE GROVES of date palms are dying, the pearling shoals have been abandoned, the traditional villas are crumbling, almost all of old Bahrain is gone, but the ruling al-Khalifa family still governs the small island much as it has for the last 200 years.

As their world changes at an increasingly rapid rate, members of the royal family seem to realize that their authoritarian tribal rule cannot continue in its present form forever. But they are caught in a quandary — how to adapt to the modern world without causing the breakdown of their fragile society, how to allow wider participation in the political process without losing control completely, how to keep the peace without becoming a police state.

"We don't want to copy what Western Europe did," says Sheikh Khalifa bin Sulman bin Mohammed, the social affairs and labor minister. "We don't want to copy what Eastern Europe did either. Change must come from within. Our independence is only 11 years old. We want to just sit by ourselves and think what is best for us. Not to accept ideas imposed on us from outside."

Sitting where they are, of course, in the midst of the world's oil supply, means they are not going to be allowed to sit by themselves and think it all over at leisure. And Bahrain is just a microcosm of what is happening in the rest of the Gulf sheikhdoms, which survived the gales of Nazism and Baathism in the 1950s and '60s and are huddling together today to survive the Khomeini hurricane.

The al-Khalifas, who are members of the Bani Utub tribe, which also includes the sheikhs of Kuwait, occupied Bahrain with their tribal allies in about 1780, taking over from Omanis Arabs who were ruling it as part of the Persian Empire. Iranian claims to the island, which Radio Tehran continues to press, date back to this time.

The native islanders, who call themselves "Bahraini," were peasants of Arab origin but of the Shia sect of Islam, the sect now made famous in the non-Moslem world by Ayatollah Khomeini. Although the question is never posed on a census, it is generally agreed that the Shias today constitute about 60 percent of the Bahraini population.

called "ma'tam," have in the past been sites of political activity, and their yearly processions mourning the death of their contender to the caliphate at the hands of the Sunnis give them an opportunity to chant slogans that can have anti-government connotations. The processions are banned in all of the Gulf sheikhdoms except Bahrain.

On arriving in Bahrain, the al-Khalifas, with the aid of their tribal allies, confiscated the land and set up a feudal estate system, whereby they exacted rent from the Shia peasants for the palm groves and taxed their dates. The system was administered through Shias living on the estates, who knew about palm cultivation, something the tribesmen did not.

The peace was kept and tribal decisions enforced through "green field" Arabs — Sunni Arabs who have lost track of their tribal origins but whose loyalty lay with the al-Khalifas — and through foreign

## LEAVING THE 'OIL CLUB'

### 50 Years After First Well Came In, Output Dwindles and Emphasis Changes

By Leslie Mitchell de Quilliacq

BAHRAIN'S minister of development and industry, Yousef Shirawi, loves to say it: "We were the first ones in the club and we're the first ones getting out."

Bahrain was, indeed, the first oil-rich sheikhdom in the Gulf. The first oil well came in 50 years ago. But, as Mr. Shirawi says, the oil field is now "senile" and production is decreasing at about 5 percent a year, down from its peak of about 75,000 barrels a day nine years ago to 45,000 b/d today — small, compared to the neighbors. The field, according to Mr. Shirawi, will be dead in the year 2010.

In a way this has been lucky for Bahrain. It never found itself the recipient of the immense wealth that has showered upon its neighbors and, therefore, has never experienced the acute economic and social problems that followed. It has developed a skilled national labor force rather than a population of coupon-clippers, a tolerant society rather than one antagonistic to the foreigner, and a sophisticated infrastructure that is attracting investments from the other Gulf sheikhdoms — as well as from the industrialized world.

Already, the majority of Bahrain's oil revenues come from a supply of crude that it only mar-

ginalizes. Bahrain and Saudi Arabia split the production of the offshore Abu Safa field, although only a small bit of the field lies in Bahraini waters. Estimated income from that field last year was about \$350 million.

Bahrain has nothing to do with producing the Abu Safa crude, and so the check from the Saudis, who do, comes like a gift. This year that gift will be even more welcome than usual because the depressed world oil market has severely affected profits from Bahrain's own petroleum industry.

"Right now we have about five cents in our pocket," Mr. Shirawi

says. If truth be told, he does not seem that upset. Bahrain is already an agreement nationalizing crude oil production in Bahrain, and at the same time the Bahraini government bought 60 percent of the Bapco refinery from Caltex.

The capacity of the refinery is about 250,000 b/d. In normal times Caltex, which is owned by Socony and Texaco, imports to the refinery about 100,000 b/d through the Saudi pipeline, an amount that is part of its allocation as a shareholder in Aramco. Bahrain imports another 100,000 b/d through the pipeline that it buys at the official price from the Saudis. To this it adds its own diminishing production. The approximately 250,000 b/d of refined products that are produced are divided on the basis of how much crude each side puts in. The government sells back about 50 percent of its allocation, or about 75,000 b/d, to Caltex under a buy-back agreement that is gradually being phased out. The petroleum marketing unit in Mr. Shirawi's ministry markets what is for export and the Bahrain National Oil Company (Banoco) markets the approximately 6,000 b/d for local consumption.

The gas associated with Bahrain's domestic crude production is sent to the Bahrain National Gas Company (Bangan). (Continued on Page 13S)

### Basic Data

|  |  |
|--|--|
| Area .....                                     | 255 square miles                                 |
| Population (1980) .....                        | 350,798  |
| Capital .....                                  | Manama (population 115,054)                      |
| Per capita income (1979) .....                 | \$5,800  |
| Currency .....                                 | 375 fils = \$1<br>(1,000 fils = 1 Bahrain dinar) |
| Gross national product (1980, estimated) ..... | \$2.35 billion                                   |
| Exports (1980) .....                           | 1.358 billion Bahrain dinars                     |
| Imports (1980) .....                           | 1.313 billion Bahrain dinars                     |
| Total capital and reserves .....               | 282.7 million Bahrain dinars                     |
| National language .....                        | Arabic (English widely spoken)                   |
| Literacy .....                                 | 40 percent                                       |

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Business confidence in Bahrain is growing each year. In 1981, as many as 85 international companies joined the 500 international companies registered in Bahrain. The off-shore banks have increased to 80 bringing the total number of banks on the island to 200.

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PLEASANT SOCIAL ENVIRONMENT: The relaxed, secure and friendly atmosphere of Bahrain is legendary and owes much to the island's long tradition of welcoming business visitors in its shores and its history of political and economic stability.



## Gulf Hotel

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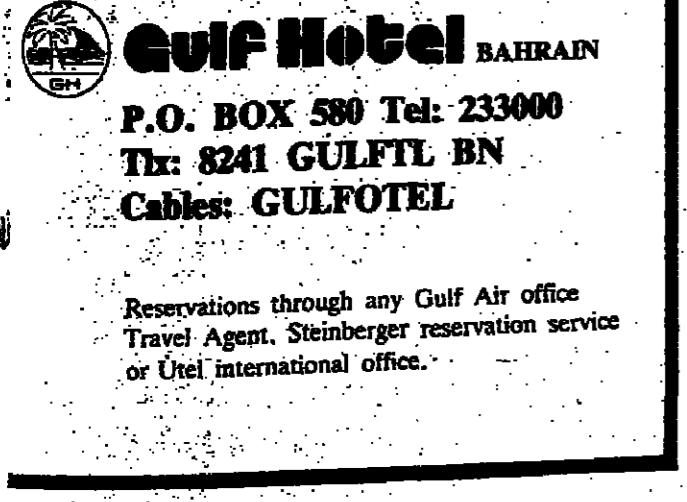


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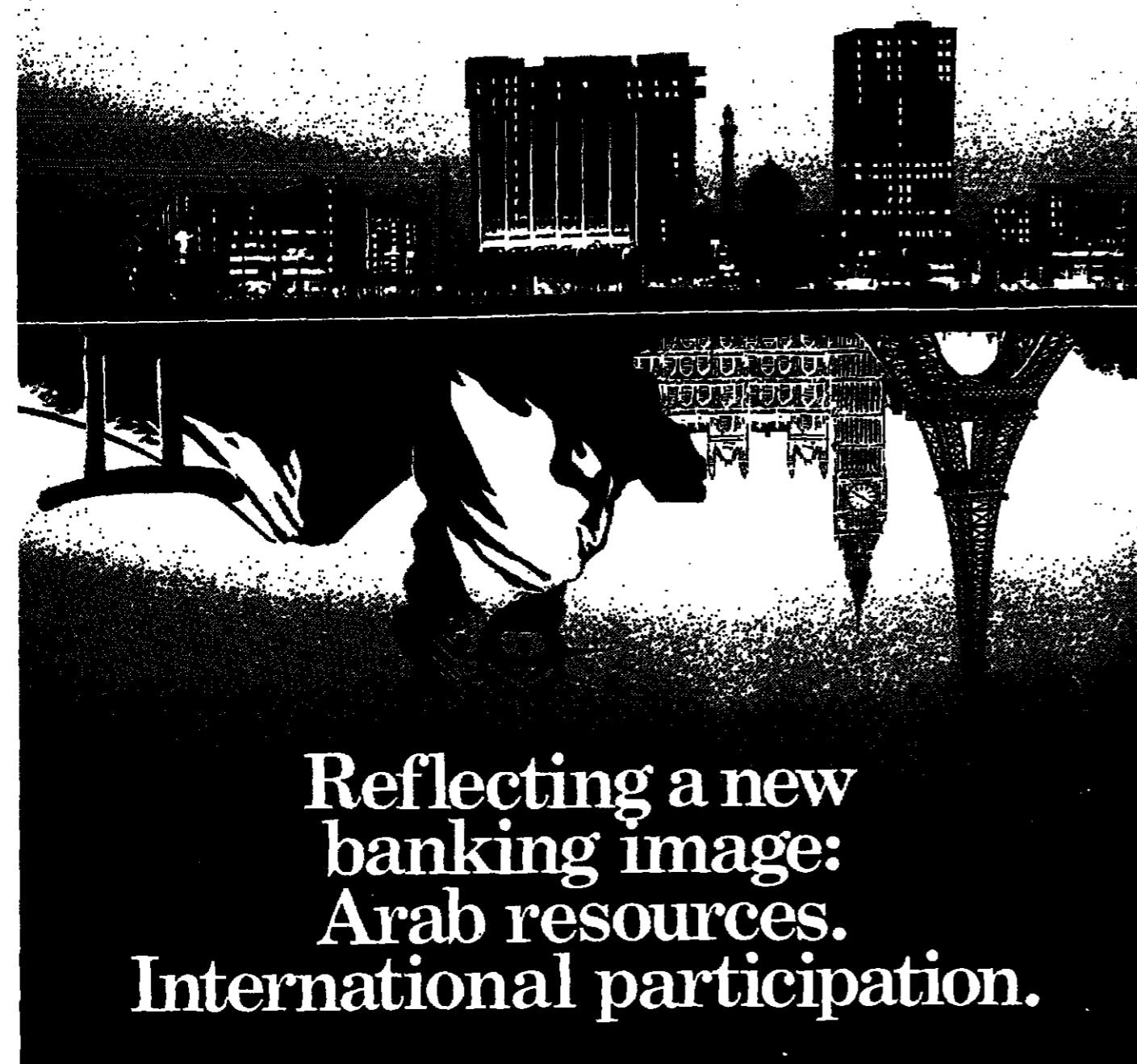
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(Continued on Page 12S)

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|--|----------------|
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| Deposits   | 32,695 Billion |
| Loans and Advances   | 16,144 Billion |
| Total Assets   | 41,565 Billion |
| Total Footings   | 61,360 Billion |
| Net Profit for the year                                    | 571 Million    |

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**II**  
**BAHRAIN**

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## FOILING THE PUNDITS

*Diversification Is Paving the Way to Continued Economic Development*

By Tim Owen

DESPITE the dismal forebodings of some Middle Eastern pundits during the last 20 years, the economy of Bahrain has not declined as the economies of its neighbors.

Their forecasts were based on the diminishing output of Bahrain's one small onshore oil field, the withdrawal of the British armed forces and political presence on the island in the early 1970s and a steady decline in its export trade as the other Gulf states developed their own deepwater ports.

What has been the secret of Bahrain's success? The answer lies in the fact that Bahrain has always managed to be one move ahead of its neighbors in the development of its economy. This can be traced to the early 1920s, when a young Briton named Belgrave, recently demobilized from the army after World War I, applied for and obtained the post of adviser to the Emir.

During the next decade, before the development of Bahrain's oil exports and the construction of its oil refinery, the second largest in the Gulf, the administrative infrastructure of the island was established, along with a health service, a modern educational system and a highly efficient police force.

### Skilled Work Force

The modern educational system, along with the development of the oil industry, produced a skilled indigenous work force, unique among the Gulf states, which served Bahrain well in later years in the diversification of its economy and the development of industry without recourse to the large-scale importation of foreign labor. As a result, apart from Oman, Bahrain is alone in having an indigenous population that exceeds the number of immigrants. This relieves Bahrain of a potential future internal problem that faces the other Gulf states and contributes toward political stability, a necessary ingredient of a steady economic advancement.

Fully aware of the potentially dismal economic outlook, the Bahrainis in the 1960s decided to press ahead with the diversification of their economy. The first major project was the construction of an aluminum smelter named Alba, which came into partial production in 1968 and full production in 1974. The bauxite is imported from Australia and power is supplied by Bahrain's natural gas resources.

The profitability of this enterprise has varied according to the fluctuations of the world price of aluminum. When there was talk of the Saudis constructing an aluminum smelter in

their Eastern Province as part of their industrial development plan, the Bahrainis astutely brought the Saudis into a 20-percent ownership of Alba through the Saudi Arabian Basic Industries Corporation (Sabic), thereby disposing of a potential competitor. Now, Bahrain has secondary industries based on the smelter in the form of Bahrain atomizers (jointly owned by the state and Breton of West Germany), the Balco aluminum extrusion plant (state-owned) and M.E. Aluminum Cable Ltd., at present undergoing an expansion program.

Alba, which is aiming to boost production to 170,000 tons a year by the end of 1982, exports to Saudi Arabia, Kuwait, Jordan and to several Asian countries.

### Dock Project

Another major project has been the construction for the Organization of Arab Petroleum Exporting Countries of a huge graving dock on a spit of land off the north of Bahrain by Hyundai of South Korea and Lisnave of Portugal. The first ship was docked in 1977 and during the first year of operations 130 ships were repaired. It is capable of handling 500,000-dwt tankers. The dock has been run consistently at a loss, but the financial loss is borne by OAPEC while Bahrain gets employment and skilled training for its labor force.

Not all projects have been successful. The fishing industry suffered a major blow in 1979 when the Bahrain Fishing Company (jointly owned by the state and the Ross Group of Britain) was forced to close down as the stocks of shrimp upon which it relied for processing suddenly vanished without apparent explanation.

A light industrial area has been established for some years in the Mina Sulman port area, where soft drinks, plastics, aluminum products, wood products and dairy and poultry products are manufactured. Further development of light industries is being aided by a loan by the Arab Fund for Arab Economic Development.

The latest major project, which has attracted world attention, is the construction of a causeway connecting Bahrain with Saudi Arabia across the shallow stretch of water separating the two countries. This project is being entirely financed by Saudi Arabia, and the construction contract was won by the Dutch-led consortium consisting of the Ballast Nedam group, Bandar Corporation of Riyadh and Japan's Mitsubishi Corporation. There is considerable speculation over the long-term effects of the causeway on the economy of Bahrain, but in the short term it is bound to be of benefit.

The government of Bahrain has had considerable success in establishing the island service center for the Gulf. With the international airport in the Gulf, it has become an important center for air transport, Cable and Wireless established Bahrain a telecommunications center of the Gulf. policy of encouraging offshore banking has been so successful that recently a month moratorium was imposed on the formation of new ones. Bahrain has long been a center for major merchant houses operating in the Gulf.

A particularly welcome boost to the economy has come in the decision of the Gulf Cooperation Council to give Bahrain and Oman priority in the development of Gulf industry. For internal political reasons, Kuwait has decided against developing major industry in its own territory but is fully prepared to invest in the development of industry in Bahrain. Its skilled labor force. One such example is methanol and ammonia plant being built by the Gulf Petrochemical Industries Company and jointly financed by Bahrain, Kuwait and Saudi Arabia. Others are the aluminum mill owned by the Gulf-financed Gulf Aluminum Rolling Mill Company and the iron pyrite plant of the Arab Iron and Steel Company.

Yousef Shirawi, minister of development and industry in Bahrain, said in London recently that in connection with its policy of giving priority to Oman and Bahrain in the development of industry as part of its overall plan of economic integration in the region, it was agreed that Bahrain should concentrate on the promotion of small industries gear export as well as domestic consumption.

There have been for many years varying degrees of tension between the Sunni Muslim ruling community and the Shia majority.

The shadow cast by the Khomeini regime across the waters has tended to exacerbate the diminishing output of oil and the resulting price war in world prices are also causing headaches.

Nevertheless, Bahrain has maintained a remarkable degree of stability over the years and the considerable extent of cooperation between a politically aware ruling family and an economically astute merchant class has underpinned this stability and insured a well-planned policy of economic advancement.

A planned policy of diversification of its industry. The current economic situation is sound and subject to regular stability in the Gulf area, and there is every reason to believe that the economy will continue to flourish.

## THE SHEIKHS' NIGHTMARE

*Attempted Coup Points Up Uneasiness Between Two Branches of Islam*

THE COUP d'état that a number of Iranian-trained youths planned to spring in Bahrain last December was the nightmare — almost come true — that every Gulf sheikh has been having since the outbreak of the Iranian revolution.

For an outsider, it is hard to believe that the fate of this island state with a population of 360,000 can be that important, but to many in the area, including a number of Western diplomats, Bahrain has become the front line in the struggle to protect the so-called "free world." The worst-case scenario — that if Bahrain's conservative tribal regime falls, the other similar regimes in the Gulf tumble, too, thus causing a cutoff in oil supplies to the West and dire consequences to Western economies.

Whether the affair was that significant is moot, but it brings into sharp focus the problem that the Gulf sheikhdoms, including Saudi Arabia, have been facing since the beginning of the troubles in Iran: All the Gulf states have Shia populations, groups that belong to the sect of Islam whose most notable leader at the moment is Ayatollah Ruhollah Khomeini.

### A Shia Majority

In Bahrain, however, the Shias are not a minority of the population, as they are in the rest of the states, but the majority, about 60 percent of the population holding Bahraini citizenship. In addition, they were the original inhabitants of Bahrain and have always tended to see the ruling family and its tribal allies, all members of the Sunni sect of Islam, as invaders.

According to the official report of the attempted coup, six young men, on their way to Bahrain in mid-December, were stopped by immigration authorities at the passport control in Dubai airport when a sharp-eyed official noticed that something was wrong with the stamps in their passports. The Bahraini authorities were notified and the young men were arrested when their plane landed in Bahrain. Interrogation of the suspects revealed an Iranian-backed plot that led to the arrest of many others, including a relative of the financial adviser to the prime minister of Bahrain, and the discovery of weapons and some Bahraini police uniforms, but with buttons stamped "Made in Tehran."

The authorities say the plotters, calling themselves the Islamic Front for the Liberation of Bahrain, had been trained in Iran as terrorists and were being infiltrated back into Bahrain to topple the government. Their plan was for some of them to dress as policemen on National Day, Dec. 16, and to pick off as many security men as possible, to take hostage or kill key members of the government — essentially members of the royal al-Khalifa family — and then to move to key places like the radio and television stations to call for a general uprising.

Hadi Modarres, a Shia religious teacher who had taken refuge in Bahrain during the rule of the shah but who now speaks in broadcasts against the al-Khalifa family on Radio Tehran, was to have returned to become head of an

Islamic republic. The Bahraini regime was panicked by the close call.

A high government official estimates that 25 percent of the Bahraini population is related by blood, education or friendship to the 73 youths picked up as part of the plot. This does not take into account the scores of others — some say hundreds, others exaggerating, say thousands — that have been deported since the beginning of the Iranian revolution or that are being held in jail under a national security decree that allows the authorities to hold someone for three years, renewable.

The incident unnerved the other Gulf states as well. All of the 73 arrested were Shias, many of them students from the middle class recruited while studying in universities abroad. Most were Bahrainis but there were 12 Saudis, a Kuwaiti and an Omani in the group.

Bahrain's minister of information, Tariq Almoayed, said that as a result of the discovery of the plot, arrests were made in other Gulf states. The Saudi interior minister, Prince Nayef ibn Abdul Aziz, said soon after the arrests that his government had evidence that it was among those targeted by the front. Saudi Arabia, he said, will "do everything in its power, including sending security forces, to help Bahrain or any other Gulf state, if the need arises."

Since the plot was discovered, Bahrain and all the members of the Gulf Cooperation Council, except Kuwait, have signed bilateral security agreements with Saudi Arabia. The council is made up of Bahrain, Saudi Arabia, Kuwait, the United Arab Emirates, Qatar and Oman.

It seems highly unlikely that such a plot would rouse the support of the majority of Bahrain's Shia community, who, although they may grumble about the Sunni regime, have benefited economically and socially under the rule of the al-Khalifa, which even the opposition based in Beirut says is relatively benign. "They want to be benign," says a long-time resident. "But they have these problems."

headed by a member of the royal family, Sheikh Khalifa bin Mohammed al-Khalifa. The charges against the youths were never clear because of the secrecy surrounding the episode, but they apparently involved membership in an illegal organization, illegal possession of firearms and explosives and anti-state activity in the service of a foreign power.

Most of the defense lawyers were appointed by the government although, the government says, the defendants were free to choose — and pay for — their own lawyers. One defendant did that, choosing a member of the royal family as his attorney. But the sheikh, a man reputed to have a profound sense of justice, backed out after the first hearing. Obviously, he would have been open to criticism from all sides if he had remained. The other defense lawyers apparently did not

have the option to retire — they were threatened with the loss of their licenses to practice if they backed out.

Apparently, one of the reasons the Bahraini government decided to hold the trial in secret was to avoid giving the youths a forum that could turn them into heroes.

Information Minister Almoayed said the killers of Egyptian President Anwar Sadat became heroes when their trial was held in "international limelight."

On April 5, after three hearings, the prosecution rested its case, which, according to local press reports, was based on statements made by the accused to the police, confessions before the investigating judge and books published in Tehran. According to unconfirmed reports, the defense lawyers requested impartial medical examinations of the defendants to determine if confessions had been coerced and denied.

The regime was obviously in a quandary on the question of sentencing, since light sentences would only encourage a similar incident and the death penalty might well cause significant problems with the Shia population.

### Shia Majority

headed by a member of the royal family, Sheikh Khalifa bin Mohammed al-Khalifa. The charges against the youths were never clear because of the secrecy surrounding the episode, but they apparently involved membership in an illegal organization, illegal possession of firearms and explosives and anti-state activity in the service of a foreign power.

The Shias in Bahrain tend to play down the importance of a coup attempt, although, among them there was at the beginning of the incident a wave of sympathy for the royal family. "When I was a student, we were shouting against the British," a Shia journalist. "We were shouting. It's the same for you people today, shouting against crying."

The Sunnis take a less tolerant view. A high-level foreigner said: "This is a very small country."

(Continued on Following Page)



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مكتاب الخليج لصناعة البترول وكيماويات

# INDUSTRY

## Reserves of Natural Gas Spur Regional Projects

(Continued from Page 95)

tries in Bahrain since economic sense because Bahrain has substantial reserves natural gas that the government is looking to subsidize to industrial use it as a feedstock, such as petrochemicals or as fuel, such as aluminum and steel mills. But it so makes political sense because Bahrain alone among the small sheikdoms has the trained Arab manpower to run industries about having to resort to large imports of foreign labor, imports it in the other Gulf states with the exception of Saudi Arabia have made nationals a minority in their town land.

**Talented Locals**  
Industrialization was first perceived by Bahrain as a way of employing its 400,000 people. And with 3,000 to 4,000 school-leavers and graduates being set on the labor market each year and with an already broad civil service Bahrain must now keep up with finding sources productive for them to do. The Bahrain education system being tailored to make sure that students meet the requirements of the Bahraini economy and are not just liberal arts oriented.

This all comes with another factor persuading neighboring states to invest Bahrain: the desire to modern financially the tribal al-Khalifa regime, which rules over a vast domain where members of Shia religious sects are the majority. The al-Sabah family of Kuwait and the al-Saud of Saudi Arabia are relatives of the al-Khalifa's and probably no coincidence that most of these joint ventures were announced after the Iraqi revolution and are heavily subscribed to by Kuwait and Saudi Arabia. Ayatollah Khomeini is a Shie leader.

The Bahrain government began its aluminum venture with a shareholding of 7.5 percent, most of the other shareholders being a consortium of others. This rose to 7.9 percent in '76, when a depressed market drove several shareholders to drop out. Aluminum is especially sensitive a recession because its major uses in construction and automobiles, the first sectors hit in an economic downturn.

By 1978 the company was looking like showing success, with sales revenue of \$137.5 million and profit of \$12.5 million. The next year the Saudi government announced that it was postponing its plans to build a 250,000-ton smelter at Hail and was instead buying 20 percent of Alba from the Bahraini government. The decision was made to expand the smelter to 120,000 tons a year to 170,000 tons. Over the next three years the Saudis and the Bahrainis made profits of about \$115 million on sales of their share in the production. The two other shareholders, Kaiser Aluminum, 17 percent and British Investment, 5.1 percent, market their share in the production separately.

**Profitable Stockpiling**  
When aluminum market was depressed in the mid-1970s, Bahrain stockpiled rather than sell at a loss. It paid off handsomely as the world recession eased, and Bahrain is stocks to sell in a rising market. The market was buoyant until '81, when it took a downturn and Bahrain and Saudi Arabia, though their marketing arm, Balco, started stockpiling again.

According to press reports, which Balco refuses to confirm, there are over 80,000 tons stockpiled, although this is somewhat down from the first of the year. Balco's general manager, Sandy J. Ross McDonald, predicts that 1982 will see a "substantial" loss across the board as a whole. First quarter losses amounted to \$3.9 million, according to unconfirmed reports.

The major problem at the moment, according to Balco, is that large producers, hit by the world recession, are cutting back smelting operations, curtailing production in their own downstream industries that use aluminum and aiming their aluminum inventories into world markets, mostly into the Far East, which is Balco's second major market.



Yousef Shirawi

cate a mill next to its smelter rather than next to Bahrain's. Kaiser Engineers and Construction was recently appointed as consultant on the project and the mill, estimated at \$260 million, is to be up to capacity of 40,000 tons a year in six or seven years.

The future looks bright, too, for Bahrain's second industrial child, the Arab Shipbuilding and Repair Yard (Asry), although its story is similar to Alba's — a depressed market cutting into profits. Asry, owned by seven member states of the Organization of Arab Petroleum Exporting Countries, including the Gulf states, with the exception of Saudi Arabia, have made nationals a minority in their town land.

**Industrialization**

Industrialization was first perceived by Bahrain as a way of employing its 400,000 people. And with 3,000 to 4,000 school-leavers and graduates being set on the labor market each year and with an already broad civil service Bahrain must now keep up with finding sources productive for them to do. The Bahraini education system being tailored to make sure that students meet the requirements of the Bahraini economy and are not just liberal arts oriented.

This all comes with another factor persuading neighboring states to invest Bahrain: the desire to modern financially the tribal al-Khalifa regime, which rules over a vast domain where members of Shia religious sects are the majority. The al-Sabah family of Kuwait and the al-Saud of Saudi Arabia are relatives of the al-Khalifa's and probably no coincidence that most of these joint ventures were announced after the Iraqi revolution and are heavily subscribed to by Kuwait and Saudi Arabia. Ayatollah Khomeini is a Shie leader.

The Bahrain government began its aluminum venture with a shareholding of 7.5 percent, most of the other shareholders being a consortium of others. This rose to 7.9 percent in '76, when a depressed market drove several shareholders to drop out. Aluminum is especially sensitive a recession because its major uses in construction and automobiles, the first sectors hit in an economic downturn.

By 1978 the company was looking like showing success, with sales revenue of \$137.5 million and profit of \$12.5 million. The next year the Saudi government announced that it was postponing its plans to build a 250,000-ton smelter at Hail and was instead buying 20 percent of Alba from the Bahraini government. The decision was made to expand the smelter to 120,000 tons a year to 170,000 tons. Over the next three years the Saudis and the Bahrainis made profits of about \$115 million on sales of their share in the production. The two other shareholders, Kaiser Aluminum, 17 percent and British Investment, 5.1 percent, market their share in the production separately.

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**Seeking a Remedy**

So far, there has been no coordination between the two Gulf producers. In fact, Dubai woed away Alba's general manager, thus creating some bad feeling. But Mr. Shirawi is hoping that the Gulf Cooperation Council, formed by the Gulf states last May, will remedy this. He foresees the day when the GCC will collectively negotiate with the OECD for the entry of its products into markets now dominated and protected by the industrialized world. The EEC, for example, imposes a 6.9-percent tariff on outside aluminum.

Mr. Shirawi said that two or three years ago Bahraini representatives went to the EEC in Brussels to talk about tariff matters. "Nobody was ready to talk to us," he said. "And they were right. We were so small." But now that the GCC has been formed things will change, he believes. "We are now preparing ourselves. We have informed the OECD that we will come some time."

So far, Alba has three downstream, essentially captive, customers: the Bahrain Aluminum Extrusion Company, which is wholly government-owned and exports most of its 4,000 tons of production to neighboring Gulf states; Bahrain Atomizer International, a joint venture between the Bahraini government and West Germany's Eckhardt-Werke, which manufactures and exports powder for paints, inks and explosives; and Midal, a private venture manufacturing rods and cables, largely for export to Saudi Arabia.

Plans are under way for the construction of a fourth Alba customer, the Gulf Aluminum Rolling Mill, a joint venture owned by Saudi Arabia, Kuwait, Iraq and Bahrain, each with 20 percent, and Qatar and Oman, each with 10 percent. Only the United Arab Emirates, of all the members of the Gulf Organization for Industrial Consulting, declined to participate, something that may have been influenced by its desire to lo-

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**ESLIE MITCHELL de QUILLACQ** is a free-lance writer who specializes in Gulf issues.

**TIM OWEN** is on the staff of the Middle East Association.

**SUSANNAH TARBUSH** is on the staff of Middle East Magazine.

## THE SHEIKHS' NIGHTMARE

(Continued from Preceding Page)  
was a very large hit squad. I am told that the plans were detailed that the excellent arms available were sufficient that the police units we such as to take people by surprise and could have wiped out the leadership like that. In a little place like this the effect could be appalling. Would the foreign bids go home? If so, you have got unemployment. Would they big up the refinery? This is a town, isn't it a nation?

"Also very least had that plot succeed, there would have been the worst kind of bad blood within this society for generations. This thing even though it failed to come off, has given impetus to Shi'a-Sunni mutual suspicions. This is an unhappy thing. How much worse would it have been had blood been shed?"

"The suspicion between the two groups had been dormant for years as education and mutual interests eroded their differences. But the revolution, the young especially so. Khomeini T-shirts were quite the mode at one time."

In 1979, there were demonstrations in support of Ayatollah Khomeini. The Shi'a say the regime overreacted. Lots of tear gas was expended and lots of arrests were made, how many no one knows.

After two Shi'a died in jail — the authorities reportedly told the Shi'a community that both deaths were caused by heart attacks — an Al-Khalifa and Sunnis "liberals" formed a joint mediating committee to make recommendations to the government on ways to avoid mutual Shi'a-Sunni recriminations. The recommendations were ignored.

A Shi'a committee member said: "Definitely, there was kind of Shi'a movement. But they were not as anti-Sunni as the government believes. They have not been treated the same by the government as the Sunnis. They feel they are treated as a minority group when they are really the majority. It is a government-Shi'a conflict rather than a Sunni-Shi'a conflict. We have always told the government that it is high time they change their policy toward the Shi'a, to avoid what has happened. What has happened is only a byproduct of that feeling. Some Khomeini groups thought they could fish in those turbid waters."

According to him, there are no Shi'a in the military, in the police, in the Ministry of Education, in the municipality or in immigration or ports — all the ministries or departments that involve governing.

He concedes that there are radical elements in the Shi'a community, such as partisans of the illegal Iraqi Shi'a "al-Daawa" party, who are seeking to overthrow the regime. But the government, he says, is indiscriminately arresting Shi'a. For the moment, however, both sides seem to agree that they are a threat. It is as though

Sunnis were arrested to get at the Moslem brotherhood, he says.

A Sunnis member of the committee agrees that the government should be listening more to the Shi'a and not treating their demands "in the police way." But, he adds, "These Shi'a are like children. They always feel that something should be done for them. They always blame others. I think the royal family, especially in the last 10 or 15 years, has done a lot of things for Bahrain. What do these villagers want? They want a theocratic state. This is not acceptable to educated Sunnis or Shi'a."

Visitors returning to Bahrain after several years are, indeed, surprised at the improvements in the Shi'a villages. But the fact remains that most of what could be called poverty in this welfare state is to be found in those villages and it is there that the local religious leaders pull a lot of weight.

A former Shi'a politician says, "Shia are fanatic, and their fanaticism comes from their minority group feeling. When they follow Khomeini, it is because of religion. You can't say they are following Iran. Iran has always been a Shi'a country. The Shi'a villagers are very anti-Persian. They cannot tolerate them. It was a degrading thing for a Shi'a here to give his daughter to a Persian. The Shi'a here are Arabs."

"Khomeini came as a religious man. They looked to him as a religious Shi'a. If Khomeini goes tomorrow, the whole picture will change." For the moment, however, both sides seem to agree that they are a threat. It is as though

they are the mode at one time."

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— L.M. de Q.

Yousef Khomeini commands a significant following among the Shi'a in Bahrain.

The Sunnis see the problem as one of loyalty. The fact that Bahraini youths plotted with Iran against the government horrifies them more than the fact that the youths plotted against the government.

Information Minister Almoeved says, "This wasn't a plot against the government, this was a plot against Bahrain." A Sunnis journalist says, "If you give your country away, you cannot get it back." His Shi'a colleague says, "We don't want to be Northern Ireland. We don't like to talk about the problem, to make it big, because we are living on an island. If you raise this problem, of course, you set neighbor against neighbor. How can we live? We will change our very simple society. This is no good for people on this small island."

The relatively light sentences of the Shi'a youths convicted of attempting the coup have eased the tensions between the two communities for the moment, but the Shi'a renaissance remains an unsettling element, more so now that Ayatollah Khomeini has in effect forced President Saddam Hussein of Iraq to concede.

If Saddam Hussein falls — as the ayatollah hopes — then the problem would be exacerbated because the Bahraini Shi'a really have more in common with the Iraqi Shi'a, who are Arabs, than with the Iranian Shi'a, who are not.

— L.M. de Q.

## Another year of record achievements

### Statement of Condition at 31st December 1981

|   | NOTE | 1981<br>BD'000 | 1980<br>BD'000 |
|---|------|----------------|----------------|
| <b>ASSETS</b>   |      |                |                |
| Cash and Due From Banks                                     |      | 16,762         | 10,175         |
| Reserve Deposited with Bahrain Monetary Agency              |      | 5,562          | 7,072          |
| Time Deposits — Banks                                       |      | 176,662        | 124,031        |
| Loans, Advances and Overdrafts                              | 2    | 158,237        | 130,099        |
| Other Assets  | 3    | 10,222         | 5,462          |
|   |      | 367,445        | 276,839        |
| Investments   | 4    | 17,430         | 15,971         |
| Fixed Assets  | 5    | 5,205          | 4,522          |
| <b>TOTAL ASSETS</b>   |      | 390,080        | 297,332        |
| <b>LIABILITIES</b>  |      |                |                |
| Current, Saving and Other Demand Accounts                   |      | 67,604         | 53,749         |
| Due to Banks on Current Account                             |      | 7,749          | 4,334          |
| Time Deposits — Banks                                       |      | 98,890         | 91,927         |
| — Non-Banks   |      | 164,844        | 120,612        |
| Directors' Remuneration (Subject to Shareholders' Approval) |      | 59             | 42             |
| Dividend Proposed (Subject to Shareholders' Approval)       |      | 1,400          | 720            |
| Other Liabilities   |      | 12,500         | 5,943          |
| <b>TOTAL LIABILITIES</b>                                    |      | 353,046        | 277,327        |
| <b>SHAREHOLDERS' EQUITY</b>                                 |      |                |                |
| Share Capital   | 6    | 14,000         | 8,000          |
| Reserves  | 7    | 23,034         | 12,005         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                           |      | 37,034         | 20,005         |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>           |      |                |                |
|   |      | 390,080        | 297,332        |

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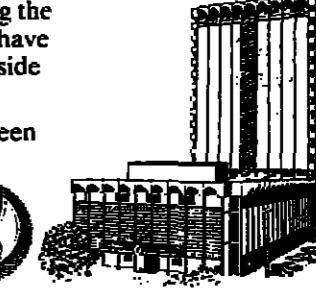
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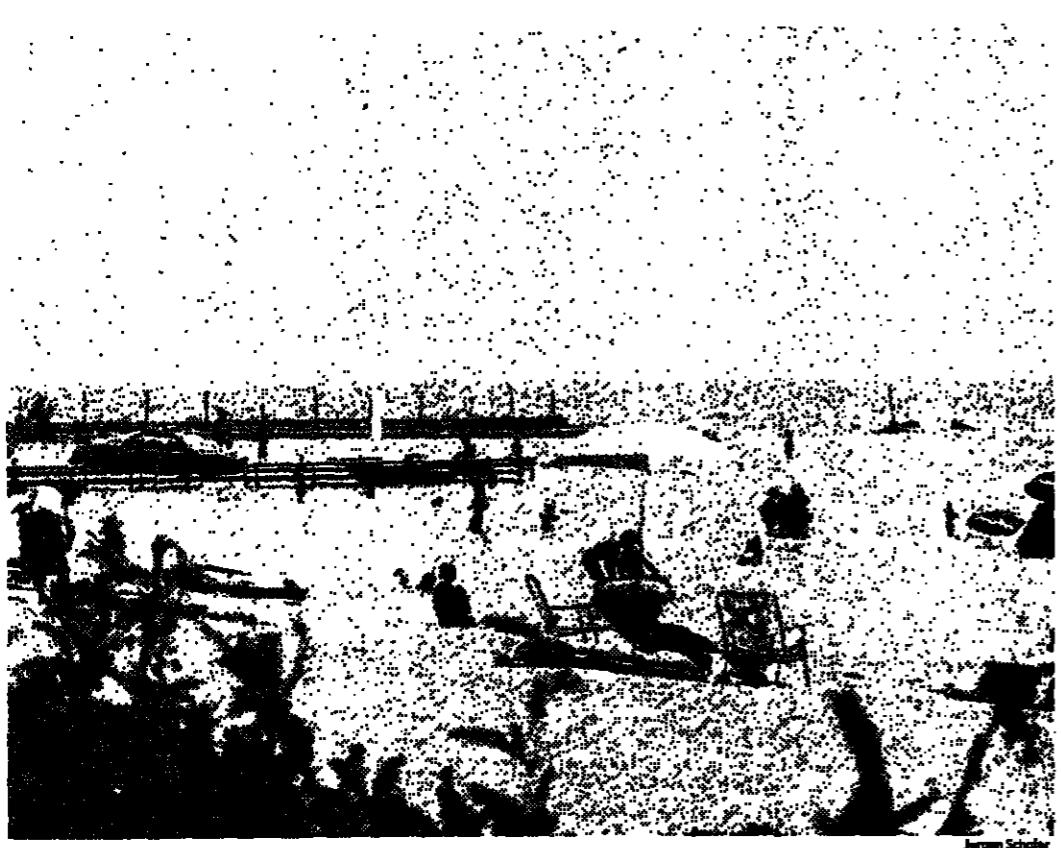
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# البحرين

## BAHRAIN



Bathers cool off at one of the numerous beaches in Bahrain.

### OLD AND NEW

*Royal Family Strives for a Balance Between Tradition and Modernity*

(Continued from Page 9S)

Baluchi tribesmen who were also

effect legitimized on his bit of territory. Yousef Shirawi, the development and industry minister, says, "The British froze history in this area in 1810. If it were left to natural forces there would probably be one big kingdom here with a population of 12 million." To Mr. Shirawi, the Gulf Cooperation Council formed by the Gulf states last year is unfreezing this natural process.

Bahrain's tribal system of rule has remained much the same since the beginning, having survived even the administrative, legal and land reforms imposed by the British in the first half of the century. An al-Khalifa family council still decides who will hold the position of emir, crown prince and prime minister and other important government posts. Although government posts set aside for the al-Khalifas still make all the important political decisions in Bahrain.

Nonroyal Sunnis now hold portfolios in education, information, finance and development and industry.

The Shias, who in the past cultivated and administered the feudal estates and collected taxes on the estates, now hold positions in the administrative and technical ministries. Until recently, the finance minister was Shia. The Shia ministers now are public works, electricity and water, transport, commerce and agriculture and health.

The Sunnis, of tribal origin, who are the ministers of defense, interior, foreign affairs, justice and Islamic affairs, labor and social affairs and housing. The Ministry of Labor and Social Affairs has jurisdiction over labor issues as well as over sports and literary clubs, which have been to the Bahrainis what political parties are in the West. The Housing Ministry is also a critical ministry as housing is a key issue in this welfare state. Control of these several portfolios means that the al-Khalifas still make all the important political decisions in Bahrain.

Mixed into this population of tribesmen and peasants were Arab Sunni merchants, who traced their ancestry to the Arabian peninsula but who came to Bahrain from southern Persia. Called the "Hawala," suggesting the process of returning to their Arabian origin, they tend to be the more progressive group in the island and encompass many of Bahrain's prominent families of today: the Fakhro, the Kanoo, the Almosayed, to name a few. Also in the mix were Shia Persian traders who, despite their religious affiliation with the native Bahrainis, are in general heartily disliked by them.

The British consolidated the al-Khalifa rule in the 19th century through a series of treaties it forced on tribal rulers in the Gulf to stop intertribal warfare. The ruler who signed a treaty was in

effect legitimizing on his bit of territory. Yousef Shirawi, the development and industry minister, says, "The British froze history in this area in 1810. If it were left to natural forces there would probably be one big kingdom here with a population of 12 million." To Mr. Shirawi, the Gulf Cooperation Council formed by the Gulf states last year is unfreezing this natural process.

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found in the police, the military, the Ministry of Interior and those departments involving immigration and ports. One of the Shia complaints today is that those departments are closed to them.

Access to government is on a personal basis, depending on whom one knows. The only institution for citizen participation in government is the tribal majlis, where the al-Khalifas sheikhs, including the emir, open their doors at certain times during the week to receive petitions from their subjects.

Though the regime may have remained much the same, the society underpinning it has radically changed. The cultured pearl destroyed the pearl industry and the discovery of oil destroyed the cultivation of date palms; at the same time, peasants and pearlsmen were joining the new oil sector, acquiring steady jobs and salaries. A working class was formed, and with that came labor protests.

An educated middle class sprouted, and with that came demands for popular participation in government. In about 1970, urban Bahraini merchants of the Sunni

sect started the Gulf's first modern school, which was staffed by Syrians and Egyptians. The Shia merchant community rapidly followed suit. The al-Khalifas, believing that sectarian education could pose a challenge to their authority, opened both schools to the public in the 1930s. There are now about 73,500 pupils in the public schools, about half of them female.

Although students are now usually sent to Gulf universities for higher education, earlier generations went to Cairo and Beirut, those hotbeds of revolution. Returning students formed literary and sports clubs, which rapidly became the cells of the Arab nationalistic movement.

As someone observed Bahrain has been a sleepy little hot spot for years. Popular uprisings are almost a tradition, occurring at least once every 10 years since the 1920s. So far, only two — one in the 1930s and one in the '50s — have been a real threat to the al-Khalifa regime. Both of these involved coalitions of the Sunni and Shia middle classes, the so-called "merchant nationalists," with the working class.

The uprisings that took place on and off from 1953 to 1956, resulting in a number of deaths, were demands for an elected parliament, a civil and criminal code and the right to form unions, all of which struck at the heart of the authoritarian tribal system. The emir offered, instead, partly elected boards of health and education and a criminal code. No compromise was reached because the protests and riots got out of the control of the leaders and eventually the police, backed by the British, moved in and made scores of arrests. Three of the leaders, Abdul Aziz Shamlan, Abdul Rahman al-Bakir and Abd Ali Alaywai, were imprisoned for several years by the British on St. Helena Island.

The events of the 1950s, lesser ones afterward and the ominous prophecies about what would happen to the Gulf sheikhdoms when the British left the area all pushed the al-Khalifas family to start coming to terms with the new forces in the society as a matter of survival.

Shortly after independence, in 1971, the emir called for a partly elected, partly appointed constitutional assembly to draw up a constitution including provisions for a partly elected parliament. One of the imprisoned revolt leaders had been permitted to return to Bahrain and was elected to the assembly, where he became vice-chairman.

In December, 1973, a parliament of 30 elected members and 14 appointed ministers met. Hassan al-Jishi, a Shia who had been active in the protests of the 1950s, became speaker. The parliament was dissolved by the emir in August, 1975, over its refusal to approve a public security and state of emergency law that had already been issued by the emir.

The law, which allows the regime to arrest and hold someone for three years, renewable, without trial or hearing, epitomizes a tribal system that is not bound by law. During the elections to the constitutional assembly in the '70s, candidates were reportedly afraid to speak up for fear of arrest under this law. Since the beginning of the Iranian revolution, it has been used frequently to arrest those suspected of plotting against the regime.

It is widely believed, however, that the al-Khalifa family did not act alone in getting rid of the parliament but was pushed to do so by the Saudi royal family, which saw clearly the threat posed by such a parliament to the old way of doing things in the peninsula. There are even reports that the then Prince Fahd of Saudi Arabia personally requested the emir to do away with the unruly body. The al-Khalifas and the al-Sauds are distantly related through the great Anazza confederation, and the al-Sauds have always played big brother to the al-Khalifas. To the Bahrainis, this is just a fact of life.

Since the dissolution of the parliament, Bahrain, like the area as a whole, has seen a renaissance of Islamic fundamentalism, especially among the young, who question the right of the regimes in power to rule and who spurn the signs of

indigenous roots. The movement is more noticeable through its women, who overnight changed into "scaries," shedding their Western dress for severe bescarfed outfits that have nothing to do with the ethnic dress of the Gulf.

The apogee of the movement, the coming to power of Ayatollah Khomeini, has focused attention on the Shia-Sunni conflict in Bahrain, a conflict that had been dormant for years.

In reaction to the downfall of the shah of Iran, the al-Khalifas, much like their neighbors, started mulling over the idea again of popular participation in government, reasoning that it might be better to know what everyone is thinking than to find themselves as surprised as the shah.

Tariq Almoayed, the minister of information, now says that some form of popular representation is "in the cards." There are murmurings that what the al-Khalifas have in mind are popular elections for town and village councils, something they have tried unsuccessfully before. What does not seem to be in the cards is a popularly elected parliament.

Mr. Almoayed says that the last parliament was "irrational." They spent five sessions discussing whether we should support Che Guevara or not, to support or not support a motion on Vietnam," he recalls. "The budget was just sitting there. If you can't get a budget through because people are so busy with idealism, you have to do something about it."

Another high government official believes that the al-Khalifas know they will have to come up with a solution to the problem of popular representation in order to survive. He says that they have

probably already accepted that they will eventually be only titular rulers, the living symbols of Bahrain, but that they do not know what to do at the moment. Parliaments will always be anachronic in Bahrain, he says, because the al-Khalifas, as tribal rather than political leaders, cannot command votes for their programs. He thinks that Kuwait's recently reelected parliament, which was dissolved in 1976 shortly after Bahrain's, is doomed.

A former deputy, a member of a family, summarizes the feelings of thwarted Bahraini democracy: "Most of the Bahrainis are not an enemy of the royal family. They don't want a revolution to push them out of ruling. They want to share. They want to be civilized. Seventy-three percent are educated. They don't want to be ruled by itself from a population.

"I want them to stay. If they were not the rulers here then Bahrain would be part of Saudi Arabia. But I want them to rule in a civilized way. Sheikh Isa [the emir], everybody likes him, but that is not enough."

Meanwhile, the stage is being set — but for what, no one is saying. Former opponents to the regime have been co-opted into the government, among them Ali Fakhro, an active Baathist during his younger days in Beirut and now minister of education with a budget of about \$54 million to revolutionize the educational system — the system that is the heart of the political socialization process.

The labor law was revised in 1981 to provide for partly elected worker councils at the company level and a "Bahraini Workers General Committee" at the national level. Half of the representatives

on company councils will be elected by company workers, while the other half will be appointed by management. The workers' representatives will elect representatives to the national council which will represent labor in discussions with the government on "its overall social and economic status of the Bahraini worker." She strikes are outlawed, talking until the labor councils can do. The councils will be started at eight of the island's largest companies, which employ 30 percent of the Bahraini work force, and will move gradually to smaller companies.

According to the labor and social affairs minister, Sheikh Khalifa bin Sulman bin Mohammed, the labor movement in Bahrain has in the past been manipulated by outside political forces. It is growing more mature and malleable to protect itself from manipulation.

Whether the proposed labor councils are to be the forerunner of more widespread popular participation in government is something Sheikh Khalifa will discuss.

Given the stubborn parliamentary aspirations in Bahrain, the historic Shia-Sunni split, the Islamic renaissance, the Iranian revolution and the recent coup attempt, one can see at there is fuel for an upheaval.

But, as a knowledgeable foreigner observes: "The British pulled out and we said, 'This is the end of those sheikhs.' Not only have they fallen since then. They survived Nasser, the British withdrawal and now they have survived the Iranian revolution. Objectively you have to look at the systems in the Gulf and say they work. It does not mean they are predisposed to last forever."

— M. de Q.

## BANKING

By Susannah Tarbush

BAHRAIN'S role as a banking center has been remarkably little shaken by political events in the Gulf. Neither the war between Iran and Iraq nor the attempted coup last December seriously affected business confidence, and assets of the 65 offshore banking units have grown at a fast rate this year.

In 1981, offshore banking unit assets grew by 35 percent to reach \$50.7 billion in the first three months of this year they grew by \$4.9 billion to reach \$55.6 billion, compared with growth of \$2.3 billion in the same period of 1981.

Nor does it seem as though the drop in oil revenues of the Gulf states will lead to a marked slowdown in business. Although it might be expected that, given its location, Bahrain would act as a major conduit for Gulf government oil surpluses, in practice much of its deposit base is non-governmental.

Local demand for loans is also likely to continue at a high level.

### Questions Raised

But even if politics and the oil situation have left Bahrain's banking sector unscathed, questions are being raised about its long-term future as the Gulf's banking center. For one thing, competition for Saudi business is growing from Saudi Arabia's own domestic banking system. Many Saudi deals had been carried out via Bahrain.

This year sees the completion of the "Saudiization" process started in 1976 by which all banks are at least 60 percent Saudi-owned.

The capital of Saudi Arabia's banks has increased rapidly, branches are proliferating throughout the kingdom and the

### Growth Continues, but Competition With Saudi Arabia Is Heating Up

banking system can offer an increasingly sophisticated range of services. It is becoming growingly assertive.

Some resentment of Bahrain's offshore banking system was voiced by Saudi Arabia's finance and economy minister, Mohammed Abulkhalil, at the recent Middle East Economic Digest banking conference, when he said, "One can have doubts about fostering the development of institutions designed to promote capital outflows."

### Absorptive Capacity

It was in 1975 that the offshore market was launched, and the drive started to turn Bahrain into a major money center.

Among the attractions were a time zone between Europe and Singapore, a well-educated work force, proximity to the oil states and good telecommunications and air links. The number of OBUs grew rapidly and in 1979 a moratorium was imposed by the Bahrain Monetary Agency.

Early this year, the BMA announced a one-year moratorium on the formation of publicly owned OBUs. Explaining the move, the BMA governor, Abdullah Saif, pointed out that the board had already approved the incorporation of four institutions in public share issues this year and said this was enough, given Bahrain's liquidity and absorptive capacity.

The move followed the massive oversubscription by the public to the issue of 28 million \$1 shares by the Bahrain International Bank. The issue was more than 400 times oversubscribed.

Applications for shares were open to nationals of the Gulf Cooperation Council member states, with 30 percent reserved for Bahraini nationals. BIB's authorized capital is \$500 million. The \$152

million not issued to the public is coming from GCC members.

The public share issue for the Bahrain Investment Company, the second of the four publicly owned OBUs approved for registration, was oversubscribed 348 times. Of the total paid-up capital of \$5 million Bahraini dinars, the \$1.9-million-dinar public offering was made to citizens of Bahrain only. The third share issue approved is for the Bahrain Middle East Bank, which is going public. Its chairman is a former Kuwait finance minister, Abdul Rahman al-Anti.

Licenses Granted

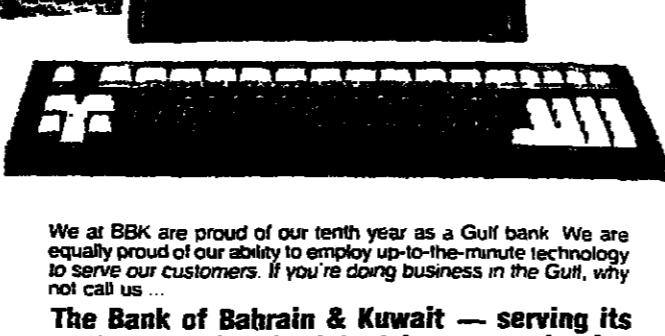
It is emphasized that a moratorium applies to public issues of foreign banks and banks are continuing to prove OBU licenses.

An OBU license was recently granted to Yapi and Kredicardasi — the first Turkish bank to enter the Bahraini market. Banco Itau of Brazil and Banca Nazionale del Lavoro of Italy recently set up representative offices.

One of the features of the Bahrain banking scene that has attracted considerable attention in recent years has been the growing Japanese presence. The Bank of Tokyo opened a representative office in 1977 and began OBU activities in 1980. There are now 14 Japanese-related banks and five securities houses in Bahrain, although Bank of Tokyo is the only one to have set up an OBU. The most recent bank to set up a representative office was the Industrial Bank of Japan.

The domestic banking scene, which consists of 20 banks, has been dominated by two local banks — the National Bank of Bahrain and the Bank of Bahrain and Kuwait. The latter's net income rose by 73 percent last year, while profits at NBB rose by 42 percent. Other locally owned banks are the Bahrain Islamic Bank and the Al Ahli Commercial Bank. Local banks receive considerable official encouragement in their participation in the public sector.

The authorized capital of BK is to be raised from 15 million dinars to 100 million dinars, and NBB has announced an increase to 100 million dinars. Al Ahli has sought to double its paid-up capital to 8 million dinars.



Methods may change, but man's desire to communicate remains the same.

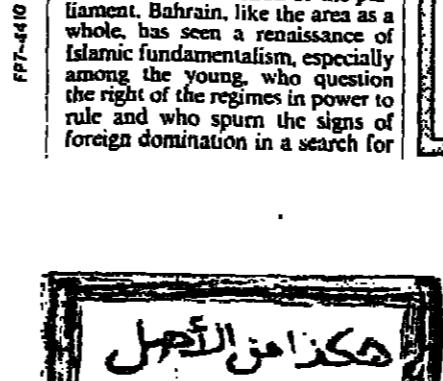
Each of these techniques for passing on vital information is right for its own set of conditions, of place and time. But only the modern one is well enough suited to meet the demand for instant communication required to do business in the Arabian Gulf today.

The Bank of Bahrain and Kuwait also employs the latest communications technology to meet the need for sophisticated banking services. For example, our domestic division is supplying instant account information to both corporate and individual customers at many of its branches in Bahrain.

In our international division we use advanced, on-line computer technology to trade foreign exchange or deal in deposits. We also employ the latest external communication methods, including the new Reuters money dealing monitor service.

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فروع بنك البحرين والكويت

البحرين

## BAHRAIN

## ROOM FOR MORE

*Hotel Business Shows Sharp Growth As Stopover Traffic Soars Since 1979*

Special to the IHT

OVER the past three years the total number of passengers arriving in Bahrain has risen sharply. In 1979, there were 404,032 arrivals against 1.6 million in 1981. The number of transit passengers (with and without 72-hour visas) increased substantially and accounted for a major share of this increase. The exact amount has not been calculated.

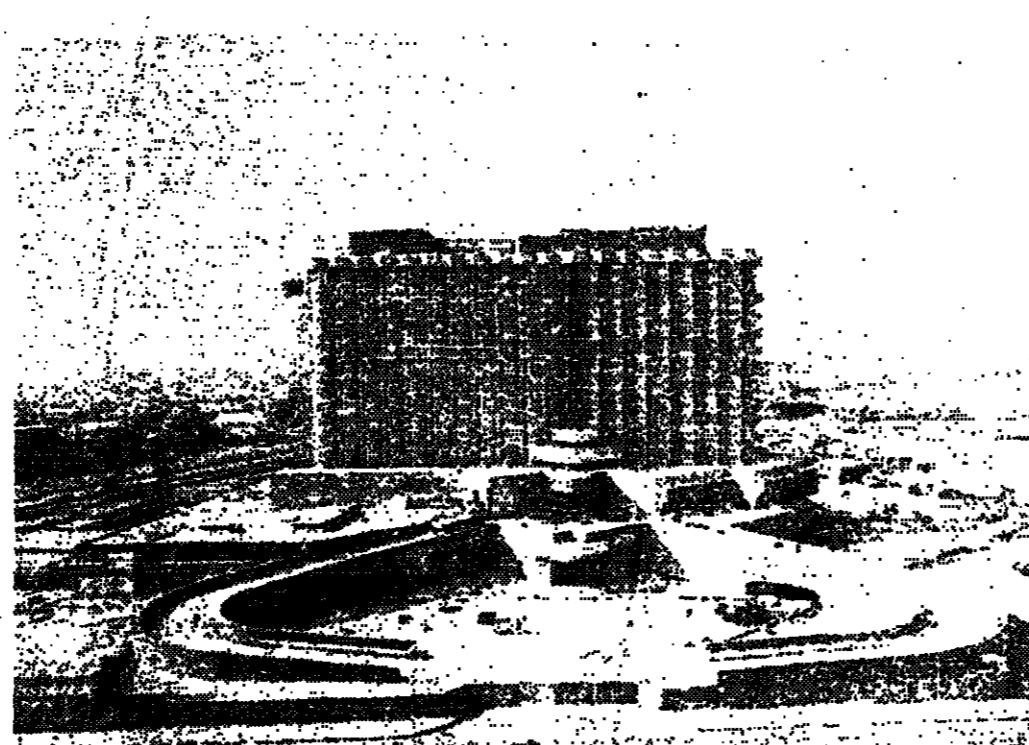
While the number of Arabic and non-Arabic businessmen dropped slightly in the three years in question, tourists from the Gulf and the rest of the Middle East, the United States and Europe totaled 150,048 in 1981, against 129,016 in 1979. Slightly more people arrived to work in Bahrain in 1981 — 91,530, against 90,993 for 1979, of whom 23,340 were Americans, Europeans, Australians and New Zealanders.

A total of 472,675 rooms was available annually on a per-night basis in 1981 among the top five hotels; occupancy averaged 59.17 percent, or 279,681 room/nights. And according to the Citibank Marketing Study 1982 and official government statistics, growth in market demand for 1982 is likely to be around 5 percent; total market demand, 218,275 guests, and total 1982 market supply 686,200 room/nights in the top seven hotels. (Two deluxe hotels have been added since December, 1981.)

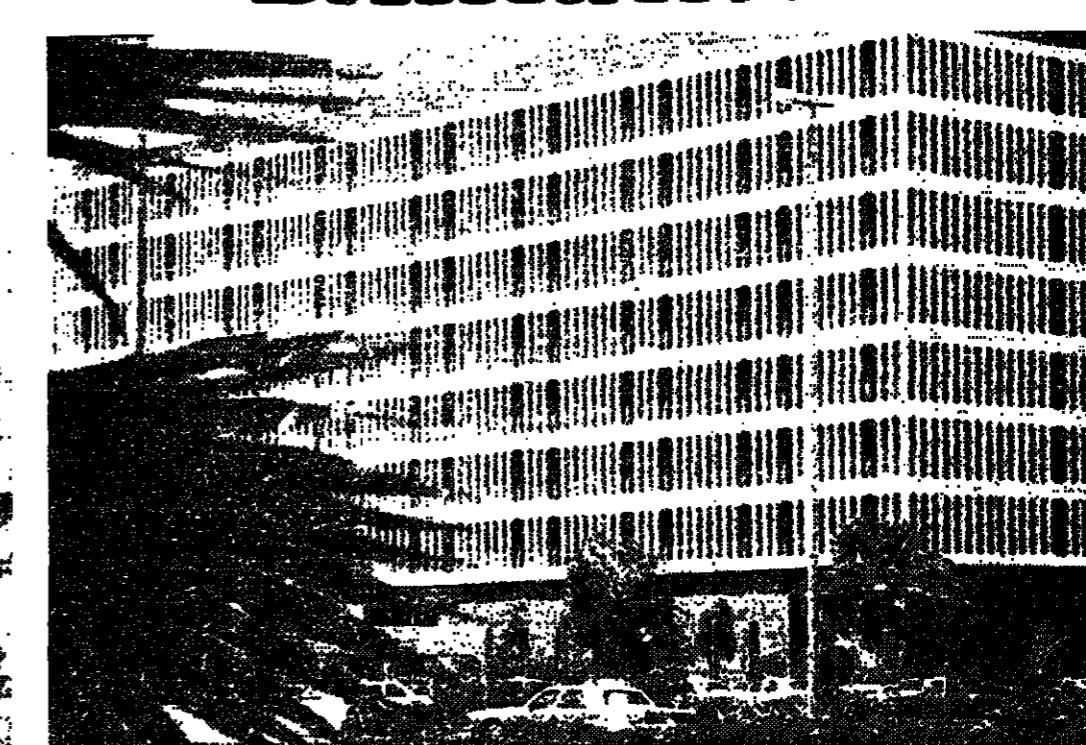
The increase in market supply for 1982 is estimated at 45.17 percent, or 213,525 room/nights, and anticipated average occupancy for these seven hotels is estimated at 42.8 percent, or 293,665 room/nights.

Bahrain is one of the few Gulf states able to offer a selection of hotel accommodations to suit most budgets. Today, the state has seven deluxe properties, 12 first-class and three second-class hotels providing about 4,500 rooms. Of this, nearly 1,500 have been added in the last 18 months. While deluxe accommodation can cost, about \$80 per night, it is possible to find a comfortable, clean room for less than \$30.

The deluxe categories are run by international management groups. Diplomat by Trusthouse Forte, Hilton, Holiday Inn, Ramada, the Regency Inter-Continental and



The Sheraton (left) and the Hilton — two of the nation's seven luxury establishments that are enjoying the fruits of a decade of expansion.



Jürgen Schäfer

opened extensive conference facilities, accommodating between them more than 1,000 delegates with self-contained suites and independent entrances.

Talking about the growth in tourist traffic through Bahrain, Minister of Information Tariq Al-Mosayed explained that while the cost of air travel to Bahrain is still high, Cathay Pacific, Qantas and UTA have taken the lead by agreeing to his ministry's request to allow travelers from Europe to the Far East to stop over.

Today, hotel executives are emphasizing service as the major selling factor. In terms of international standard rooms, business and leisure facilities and entertainment there is little to choose between the top seven. Another key selling point is the increasingly excellent range of business services or special facilities that provide visitors with a comprehensive and efficient "office" — sometimes offered free of charge — or for a nominal fee.

A growth sector is now the conference and exhibitions business. Bahrain is fully equipped to facilitate high-level conferences, and the space between the hotels and the Bahrain Exhibition Center can cater for some 5,000 delegates and even hold a number of conferences simultaneously. The two new hotels, Sheraton and Diplomat, have

operation with the municipality, more public gardens are being planned and additional beaches are being completed in about three years.

In fact, Bahrain's tourism industry recently received a boost when the Holiday Inn owners — the Bahrain Tourism Company — sold land allocated for the hotel's own marina complex. The deal, reported to be in the region of \$27 million, will enable them to go ahead with a number of ambitious plans for the hotel and BTC. One could be the formation of a travel and tourism office to promote Bahrain, which is only 15-20 minutes' walk away.

Bahrain's international airport is served by more than 30 airlines 13 of which have crew stopovers in Manama. A visitor's impression of a country invariably starts at its airport, and Bahrain's is well designed with excellent facilities. It

was nothing but a desert. Today, it is full of thriving trees, shrubs and, of course, animals. Already, special groups are being taken round but it takes time for people and animals to get used to one another. The central attraction is our herd of Arabian oryx. However, we expect people to combine a look at the park with a picnic or visit to the restaurant, then go on to the beach, which is only 15-20 minutes' walk away."

There are also plans to restore Manama's famous landmark — the Bab al-Bahrain.

Tourism-related projects are being undertaken by the private sector. Part of the new marina complex is now open and is very

successful. It is expected to be fully completed in about three years.

"This," the minister said, "will not only benefit those who live and work in Bahrain but, of course, provide a boost for the tourist trade. We are also restoring some of our historic buildings and preserving archaeological sites. Our budget for the next four years is more than six times that allocated in the past."

There are also plans to restore Manama's famous landmark — the Bab al-Bahrain.

Tourism-related projects are being undertaken by the private sector. Part of the new marina complex is now open and is very

people efficiently and has already won one award from an airline for getting the highest percentage of flights out on time.

Generally speaking, immigration is a swift and uncomplicated procedure although all but travelers holding valid passports from the United Kingdom, Saudi Arabia, Kuwait, Qatar, Oman and the United Arab Emirates require entry visas. However, holders of confirmed return or onward air tickets can obtain a transit visa, valid for 72 hours, from the airport immigration office.

There are usually about half a dozen flights a day from London's Heathrow, including the Gulf national carrier, Gulf Air. Flying dai-

## THE OIL 'CLUB'

(Continued from Page 95)

owns 75 percent by the government and 12.5 percent each by Caltex and Aricorp, the investment arm of the Organization of Arab Petroleum Exporting Countries. Banasas fractionates the gas to produce about 9,200 b/d of liquid naphtha, propane and butane for export. The tail gas left over is sent to Aluminum Bahrain (Alba); the government joint-venture aluminum company, for fuel.

This year, however, "the world has decided to get along without us," says Don Hepburn, the chief executive of Bapco. Because of the depressed world economy, the consumption of refined products has plummeted. A refiner usually does not have the option to stockpile indefinitely because of the problem of storage space and so is forced to cut production when demand declines. But since most of the refinery costs are fixed, as refinery production is lowered the cost per barrel rises, severely cutting into the refiner's profits, since a slack market he cannot demand higher prices for his products. Refinery runs at Bapco are now only about 165,000 b/d, down from 250,000 b/d last year. Of this, 45,000 is the Bahrain crude production and only about 120,000 is Saudi Arabian light.

Mr. Hepburn has been told to make \$1 million a month in savings at the refinery, which is now only breaking even. As the price of crude and, therefore, products firms up because of a large drop in Saudi Arabian crude production, losses on refined-product sales have stopped growing, but only an increase in consumption will pull the refiners out of their hole. "What will change consumption is that the Western economy will pick up," Mr. Hepburn says. "There is no evidence that things will get better in the near term."

But it is not just the near term that has been bothering Bahrain. What with several huge export refining projects in the works in Saudi Arabia and Kuwait, the specter looms of Gulf countries competing against each other in international markets.

A special committee of the Gulf Cooperation Council, to which the six Gulf sheikhdoms belong, is already dealing with the problem. The committee is working to set a price range for each product "so you don't hurt your partner," Mr. Shirawi says. "One is allowed to do whatever one likes within limits. There is a thin line between surrender of sovereignty and regional cooperation."

Widely Marketed

Historically, Bapco-refined products have been marketed widely because the refinery was originally built by Caltex as a "swing refinery" in order to provide products for Chevron (Socal's marketing arm) and Texaco markets in East Africa, Southeast Asia, China and Australia when local refined products ran short. For this reason, the Bapco refinery can

dwindling onshore production. Unfortunately, one of the most promising areas lies close to Hawar Island, just off Qatar, which Bahrain and Qatar have literally battled over for years. The British gave the islands to Bahrain in the 1930s and at the moment there is reportedly a Bahraini garrison there. The Qataris are very emotional about the issue — they say they can walk to the island at low tide. The ownership dispute is being worked out now by the Gulf Cooperation Council.

Plans are afoot to convert the refinery's heavy fuel oil, which now sells for only about \$24 to \$26 a barrel, into lighter products that command higher prices. The Heavy Oil Conversion Company, with Bahrain a 40-percent shareholder and Saudi Arabia and Kuwait each with 30 percent, was formed in 1981 with a capital of \$2 million to undertake a feasibility study of the project.

Since the hydrocracking process that converts heavy oil is extremely expensive, the cost of such a project could run into billions of dollars. The first decision to be made will involve the extent of hydrocracking desired and the quantity the shareholders wish to process. The most commonly cited figure for the second is 80,000 b/d, which now is about the amount of heavy fuel oil the Bapco refinery produces when it is running at full capacity. But since capacity is not always 100 percent, Kuwait and Saudi Arabia will also have to provide fuel oil for processing. The initial feasibility study should be ready in December.

As crude oil production dwindles, Bapco has undertaken an intensive exploration program to make sure that there is really no more crude around, and has also just spent \$2 million studying the possibility of going into more sophisticated recovery methods.

**Steam Injection**  
A study, done by Chevron, included an investigation of techniques involving the injection of steam, chemical solvents or carbon dioxide into the oil field. The costs of such techniques are extremely high, but Hassan Fakiro, the managing director and chairman of Bapco, says the decision to go ahead has already been made "in principle." Regardless of how expensive the oil is, how much technology it requires to extract it, we are talking about producing it for much less than \$10 a barrel," he says. Bapco hopes to recover an additional 100 million to 200 million barrels of crude oil in this way over the next 10 to 15 years.

**LPG**  
Until the LPG plant came on stream in 1980, Khuff gas was used as fuel at the Alba aluminum smelter but now much of the fuel for the aluminum industry comes from tail gas from the LPG plant — the gas that remains after the naphtha, propane and butane are stripped from the associated gas.

The \$95-million LPG plant went

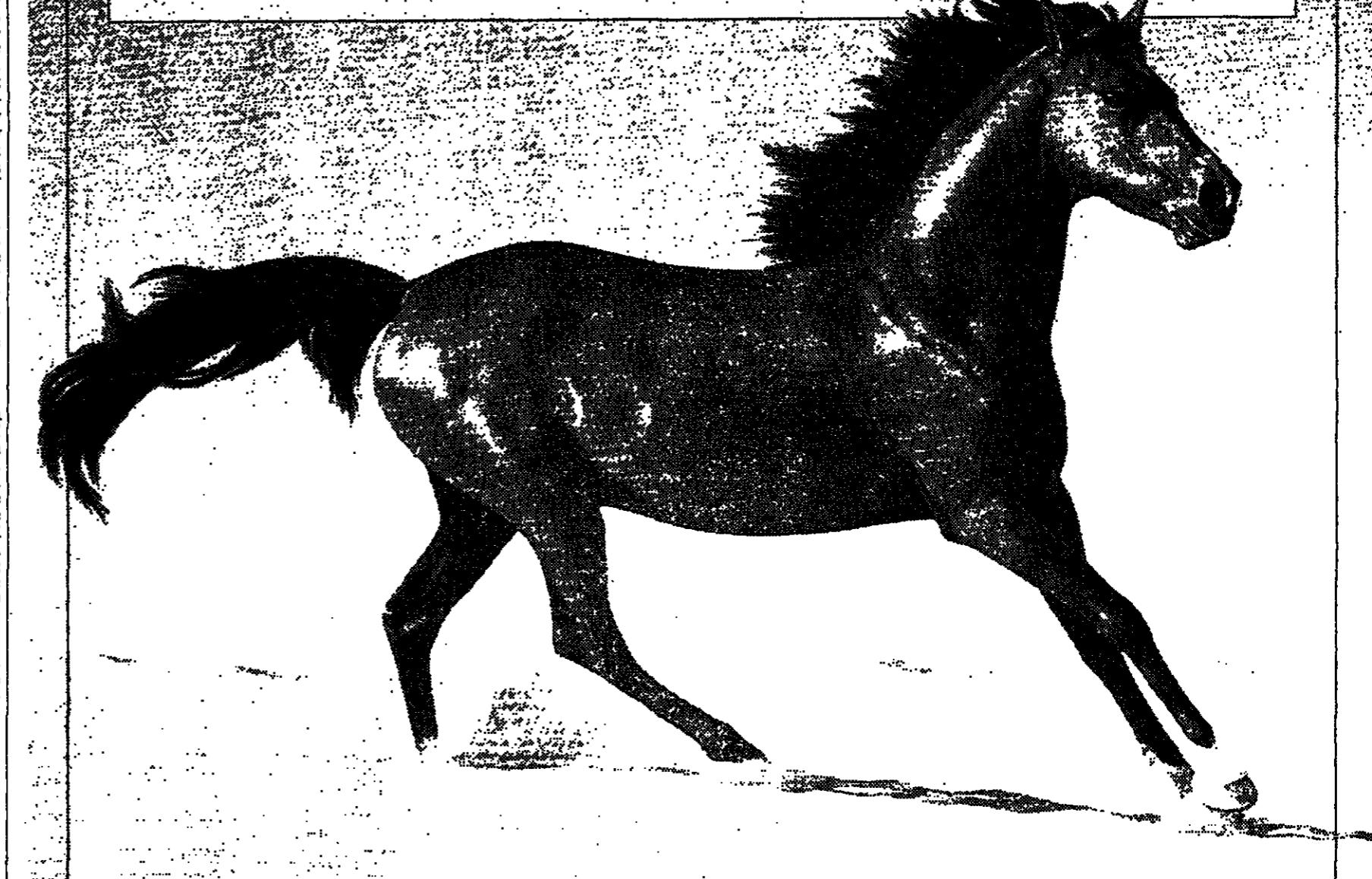
on stream in the first quarter of 1980, just the right time to catch the peak of the soaring LPG prices. It paid for itself in less than 18 months. Mr. Fakiro, who also heads Banasas, says that the company was making an estimated \$55 million to \$60 million a year gross profit at the peak. Although LPG prices have dropped from about \$33 a ton to about \$225 to \$250, the operation is still making money, according to Mr. Fakiro.

As Bahrain continues to set up industries based on hydrocarbons, the question arises about what it will do when those hydrocarbons run out in the next century, as foreseen. Mr. Shirawi affirms: "Remember, we are in the Gulf. All around us we have a lot of gas we can buy."

## ARIG: Measuring up to

## the challenges of

## international reinsurance



The Arab Insurance Group — ARIG — commenced business in July 1981.

By mid-year 1982 we had written US \$80 million in premiums.

That is a true measure of the way in which we have faced up to the demands of the modern insurance and reinsurance industries.

It is proof that we have the people qualified to deal with the problems of these complex markets.

It is an indication of the success with which we have developed our products.

But perhaps most of all it demonstrates how closely we have worked with other, world-respected insurance companies.

As we develop our business and our products we look forward to more fruitful cooperation.

And as we open our contact office in London,

we prepare to serve even more effectively the needs of our clients around the world.

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Alia Commercial Centre, Diplomatic Area, P.O. Box 26992,  
Manama, Bahrain. Telex: 9395 BN. 9396 BN. Tel: 23110.



## BUSINESS / FINANCE

WEDNESDAY, JULY 7, 1982

Page 15

## BUSINESS BRIEFS

## American General to Acquire NLT

HOUSTON — American General said Tuesday that it has agreed to acquire NLT in a transaction worth about \$1.5 billion, ending a takeover struggle between the two insurance companies that began in April. Both boards have approved the acquisition.

Under the agreement, NLT shareholders will have the right to receive \$46 a share in cash for up to 15 million NLT shares. For the remaining 16.4 million shares, American General said it would exchange a combination of convertible securities with a market value of about \$46 a share.

On the New York Stock Exchange, American General fell 5% to close at 364 on a volume of about 157,000 shares, and NLT gained 1% to 394 on a volume of 712,000 shares.

NLT had countered an earlier American General bid of \$1.1 billion in stock with its own bid of \$676 million for 48 percent of the larger company, which has assets of about \$8 billion.

## Continental TIA Near Debt Accord

LOS ANGELES — Continental Airlines and its sister carrier, Texas International Airlines, have reached verbal agreement with all but one of their major lenders to restructure a total of \$295 million in long-term debt, they announced.

A Continental spokesman said Monday that the airline's share of the \$295 million to be restructured is \$199 million, while Texas International's is \$96 million. Both airlines have been losing money, but Continental is considered to be in the more precarious position.

Meanwhile, Continental said it has reached a preliminary agreement to sell its 15-story office building in El Segundo, Calif., which will allow it to pay off a \$25-million short-term loan it took out in February.

## U.S. Automakers' Sales Drop 12.3%

DETROIT — Sales by Ford, Chrysler and General Motors were down 12.3 percent last month, the automakers said Tuesday, and analysts said June may have been the industry's worst month in 25 years. Sales had increased in May for the first time in the model year.

GM, which discontinued a low-interest financing offer, saw its sales fall 16.7 percent. Ford's sales were down 5 percent, and Chrysler, which offered incentives on all models, reported a 4-percent decline.

## U.S. Steel Seeks Wage Concessions

PITTSBURGH — Negotiations for the United Steelworkers of America and U.S. Steel Corp. are to meet Wednesday and Thursday to study ways to moderate labor costs. The union will hold discussions with other major steel producers later this month.

The union is taking a cautious attitude toward the discussions, which it agreed to after a request last month from eight steel producers for early contract talks.

## Fiat Says Group Made a Profit in '81

TURIN — Fiat made a gross profit of several tens of billions of lire last year, after a consolidated loss of about 240 billion lire (\$172.8 million) in 1980, Fiat chairman Giovanni Agnelli said. Full figures will not be available for several months, he said.

But he warned that Fiat faces an unfavorable year, saying, "The continuing high level of unused capacity in many sectors in which the group operates is going to lead to an extremely tough struggle for market share." Mr. Agnelli said European markets were recovering much more slowly than expected.

## Fujitsu Unveils 'Fastest Computer'

TOKYO — Fujitsu, Japan's largest computer maker, said Tuesday it had developed the world's fastest computer. The model is classed as a supercomputer, of which there are only about 50 in operation worldwide.

A spokesman said the new Focom VP-200 is capable of processing data at a speed of 5 million floating-point operations per second. He said the two largest makers of supercomputers, Cray Research and Control Data of the United States, have models claiming speeds of 4 million operations per second.

The new computer is intended for scientific uses, such as analysis of meteorological, biotechnological and nuclear research-related data. It will sell for 3.1 billion yen (\$121.4 million) or lease for 69 million yen a month. Delivery is expected to begin in October 1983.

Compiled From Agency Dispatches

## Acting as Middleman for Exports, Northrop Boosts Its Sales Abroad

By Dan Morgan  
and Walter Flinton  
*Washington Post Service*

WASHINGTON — On a visit to Turkey last April, officials of Northrop, the big fighter-plane manufacturer, made a detour to Anatolia, where they spent a day visiting vineyards, inspecting wines and sampling the pleasant local vintages that are little known outside the country.

That side trip led to a surprising company conclusion: Turkish wine might help Northrop sell Turkey sophisticated F-5G and F/A-18L military aircraft.

Under a proposal that Northrop is still working out, the company would guarantee to find markets in third countries for tens of millions of dollars' worth of Turkish wine, refrigerators and other products, in return for Turkey's selection of Northrop's planes over General Dynamics' F-16.

Such unconventional business arrangements, called "offsets," have become increasingly important in the highly competitive trade in costly modern weapons.

As part of its sale of F-16s to Canada, Northrop helped line up a customer in Liberia for a Canadian maker of paper cups, and it helped Swiss companies sell elevators to Egypt and precision drills to Spain as part of a 1976 deal for 72 F-5Es. McDonnell Douglas officials say that offsets will be a key factor in whether the company succeeds in selling its long-range Harpoon missile to Canada.

The reason for this is money. Western governments and arms manufacturers, which have invested billions in a new generation of high-priced electronic armaments, are competing aggressively to sell the new equipment abroad. But the world recession has left many prospective buyers deeply in debt and short of funds for new purchases, and the U.S. government has scaled down its military aid and credits worldwide.

The possibility of offsetting the costs of buying military aircraft with revenue from new exports, or other techniques, has become a necessity.

Arms manufacturers have traditionally sweetened deals involving expensive items such as tanks and aircraft with arrangements that allowed countries buying the weapons to produce some or all of them in order to offset the costs, save foreign exchange and create jobs.

Northrop officials, however, contend that they are pioneers in marketing a customer country's products to third countries in return for aircraft sales.

Northrop initiated the technique

Proxy Contests  
Gaining Favor as Takeover ToolBy Tamar Lewin  
*New York Times Service*

NEW YORK — For Gulf Resources and Chemical it was a stunning defeat. Less than two weeks before its May 11 annual meeting, the ailing mining and chemicals concern had found out that Alan E. Clore, a British investor, was waging a proxy fight for control of the company. Almost before Gulf Resources' top executives could catch their breath, they were ousted in one of the fastest proxy contests on record.

Mr. Clore's victory and its modest price tag of \$1.5 million did not escape notice on Wall Street, where he captured the attention of many professionals and investors who rarely give faltering companies such as Gulf Resources a second glance.

In short order, mergers and acquisitions specialists, along with disgruntled shareholders, began to wonder whether they, too, could take over a company with so little money and so little time.

In light of the Gulf Resources contest, many Wall Street analysts expect a new wave of proxy fights in which dissident investors, rather than trying to buy a company, will seek to take the reins from management by winning shareholder support for their policies.

"I think Gulf Resources was a tremendous eye-opener," said Stephen Schwarzman, a partner at Lehman Brothers Kuhn Loeb. "All these businesses are trying to buy companies and getting rebuffed by management, and here's this guy from Britain who moves in quickly and gets control, relatively cheaply. That deal tells you something has changed."

Most of what has changed is the business climate. Analysts believe that, as long as stock prices remain depressed and high interest rates make it difficult to finance an acquisition, dissatisfied investors, particularly those with large stock holdings, will find the proxy fight an increasingly popular tactic for winning control of a company.

In fact, a significant upturn in the number of proxy fights is already apparent, according to Georgespon & Co., a leading firm in the business of soliciting shareholder proxies. Its figures show that there have been 11 major battles so far this year — including Gulf Resources and the pending Global Natural Resources fight — compared with 17 in all of 1981 and the same number in 1980.

Though Gulf Resources is the most dramatic example, similar proxy wars have brought new management to several other companies. Last spring, Neil

## The Rites and Rituals of the Proxy Game



## Argentina Devalues the Peso, Plans Controls on Economy

Compiled by Our Staff From Dispatches

Buenos Aires — Argentina's central bank has devalued the peso at the country's new commercial rate to 20,000 pesos per dollar from an across-the-board rate of 15,600, the bank said Tuesday. Earlier in the day, the bank announced a two-tier, commercial-financial foreign exchange system, in line with new policies outlined by Economy Minister Jose Maria Dagnino Pastore.

The new financial rate for the peso in the two-tier system was not immediately available.

The central bank's action followed a televised address by Mr. Dagnino Pastore, who said the Argentine economy was "in a state of destruction without precedence."

Economic policies to be adopted by the new government of President Reynaldo Benito Bignone are aimed at stimulating the economy, reducing the heavy debt burden of domestic companies, fulfilling foreign debt commitments, creating a new financial system and controlling inflation, Mr. Dagnino Pastore said.

He said the government would impose strict interest, import and monetary controls, and would encourage price controls with incentive loans and debt refinancing that one businessman said could be virtual arm-twisting because of businesses dire need for loans.

Under the two-tier system, the central bank fixes a daily commercial peso-dollar rate for imports and exports, and a financial rate for international loans and other transactions. The financial rate will be allowed to reflect the free play of market forces. It was expected to start at 24,000 to 28,000 pesos per dollar.

day. The Dow fell 6.09 points overall last week. The market was closed Monday for the Fourth of July weekend.

Analysts said investors were discouraged by the U.S. purchasing managers' monthly report, which showed weakening industrial activity in June, as well as by concern that second-quarter earnings will prove poor and by continuing high interest rates.

Some traders were encouraged by the government's report Friday, said that the open financial system that had been the heart of Argentina's experiment in a free market economy had deteriorated into an "explosive situation" and would be restructured "from its foundations."

The central bank's moves to in-

sure orderly repayment of Argentina's foreign debt of more than \$33 billion involve an exchange insurance system to encourage domestic companies to take out new loans and 118 financial companies have gone bankrupt since 1977, when the ruling military instituted the free market system.

Mr. Dagnino Pastore said unemployment was more than 6 percent and inflation was more than 100 percent. He said many businesses and 118 financial companies have gone bankrupt since 1977, when the ruling military instituted the free market system.

For the average Argentine, the plan is designed to halve a steady drop in real wages. An Economics Ministry report said real wages had fallen 40 percent since the beginning of this year. But the measures are also likely to increase the cost of goods, the average earner can buy.

## NYSE Index Is Lower, But Dow Gains Slightly

Compiled by Our Staff From Dispatches

NEW YORK — Prices on the New York Stock Exchange closed mostly lower Tuesday in sluggish trading. The Dow Jones industrial average, which fell 6.28 points Friday, moved up 1.91 points to 798.9, while the broader-based NYSE composite index retreated 0.21 to 61.78 and declined led advances by an 8-to-5 margin.

Volume was 44.51 million shares, up from 43.76 million Friday. Prices on stock markets throughout the world were broadly lower in the first half of 1982. Page 16.

The Dow fell 6.09 points overall last week. The market was closed Monday for the Fourth of July weekend.

Analysts said investors were discouraged by the U.S. purchasing managers' monthly report, which showed weakening industrial activity in June, as well as by concern that second-quarter earnings will prove poor and by continuing high interest rates.

Some traders were encouraged by the government's report Friday, said that the nation's money supply fell more than expected, \$2.2 billion. But with the Reagan administration's 10-percent tax cut in place and Social Security payments increased, the supply is likely to surge soon.

Investors are also concerned that heavy government borrowing

## France Plans Record Aid in 1983 For State Companies, Fabius Says

By Axel Krause  
*International Herald Tribune*

PARIS — The French government plans to allocate a record 11 billion francs (\$1.6 billion) in 1983 to finance the expansion of state-controlled companies, including those nationalized earlier this year. Budget Minister Laurent Fabius said Tuesday.

Emphasizing that the government was acting primarily as a

shareholder, Mr. Fabius told the Anglo-American Press Association that the amount was considerably more than various forms of state aid being provided this year. Ministry officials said that financial assistance being provided to recently nationalized companies during 1982 will total roughly 9 billion francs, representing the largest share of the total.

Mr. Fabius said the Socialist government is determined to maintain a "stable environment" for business expansion in both the private and state-controlled sectors.

The minister did not say how the state aid would be financed, indicating only that this would be determined as the 1983 budget is formulated.

Confirming earlier statements by government officials, Mr. Fabius said next year's budget deficit will be below 120 billion francs, equivalent to roughly 3 percent of the gross national product. In the current year, the deficit of roughly 100 billion francs will also be close to 3 percent of the GNP, he added.

He confirmed that the government is now forecasting GNP growth during 1982 of between 2 and 3 percent. A 3.3-percent growth rate had been forecast earlier this year.

The slight downward revision is in line with forecasts announced Tuesday by the Organization for Economic Cooperation and Development. France's GNP growth "could be close" to 3 percent in annual terms in the second half of 1982, OECD said in a semi-annual report on its 24 member nations.

But the growth rate will be slowing in subsequent months, perhaps falling to 2.4 percent in the second half of next year, OECD said.

Mr. Fabius said that in pursuing an austere fiscal and monetary policy, the government also will insist on cuts in internal spending. These economies, which are only now being implemented, will extend to ending first-class travel for senior civil servants.

Mr. Fabius, responding to a

## WEEKLY NOTIFICATION

COMPTREND II  
A MANAGED  
COMMODITY ACCOUNT

## EQUITY ON:

JANUARY 1, 1982

\$100,000.00

JULY 1, 1982

\$103,404.24

after all charges

## EQUITY ON:

JANUARY 1, 1981

\$100,000.00

DECEMBER 31, 1981

\$237,214.03

1981 Performance +137%

OVER \$4,000,000.00

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## Gold Markets

|   | A.M.   | P.M.   | Change |
|---|--------|--------|--------|
| Hong Kong   | 315.05 | 313.95 | -1.00  |
| Luxembourg  | 315.25 | 310.44 | -4.81  |
| Bern (12.5 M)   | 315.25 | 311.50 | -3.75  |
| Zurich  | 312.05 | 311.50 | -2.00  |
| London  | 311.50 | 311.50 | -2.00  |
| New York  | 311.50 | 311.50 | -2.00  |
| Official figures for London, Paris and Luxembourg are in U.S. dollars.<br>Hong Kong and Zurich, N.Y. Hardly & Hermann, U.S. dealers for our news. |        |        |        |

## U.S. Analysts Predict Wave of Proxy Fights

(Continued from Page 15)

denied sought only to block Penn Central from completing a \$1.4-billion merger with Colt Industries.

Because shareholders usually differ on what constitutes salvation, most proxy fights stir up considerable ill will. In this year's fight for control of Tosco, for example, management charged that dissident Kenneth Good, who was trying to get Tosco to pull out of the Colony Oil Shale Project, was bringing his girlfriend, the director of the Colorado Department of Local Affairs, for nonpublic information on Tosco.

By the annual meeting in May the confrontation had become so heated that Tosco management disconnected Mr. Good's microphone when he began personal attacks on company officers.

Despite the bitterness, a proxy fight is often much cheaper than conducting a tender offer when trying to take effective control of a corporation.

In asking shareholders to vote by proxy for a new slate of directors, or to oppose a management decision, the dissident shareholder must only win support of a majority of those shareholders who return their proxy ballots. The costs of waging such a battle tend to be limited to legal and advisory fees and advertising costs.

In most cases, the dissident investor has already purchased a substantial block of shares himself — Mr. Clore accumulated more than 15 percent in the seven months before Gulf Resources' annual meeting, and Mr. Good spent more than a year acquiring his 8.8-percent share of Tosco — and may

be able to win his fight merely by enlisting a handful of other large stockholders.

"Fewer people are willing to put up 100 percent in cash to get control of a company," said Brian Young, vice president in charge of mergers and acquisitions at First Boston. "In a proxy fight, the shares you do buy, you buy at close to the market price, and of course you don't have to buy as many shares as you do to get control of a company through a tender offer."

Although proxy battles can be an inexpensive way to gain control of a company, financial experts stress that they will not replace tender offers. While individual stockholders may be satisfied with taking over the board, analysts say, most corporations want to acquire, not just control, other companies. And for most large corporations, proxy fights are too long and their outcome too uncertain to be an attractive option.

The Gulf Resources fight took two weeks, but most contests involve months of battling with allegations of mismanagement and fraud bandied about in court, in newspaper ads, in mailings to shareholders. These battles are in large part, why the tide turned in favor of tender offers in the early 1960s.

"In the '40s and '50s, you had a lot of proxy fights," said Martin Lipton, a takeover specialist with the law firm of Wachtell, Lipton, Rosen & Katz. "Then in the '60s, everyone turned to tender offers, which are quicker, neater and cleaner. But for individual investors, activity in proxy fights is being significantly revived this year. Most proxy fights have been in the smaller companies, but I'd expect 10 or 12 fights this year at companies with market values over \$50 million."

The current faltering economy is a perfect environment for proxy contests. Stock prices are depressed, with many companies barely clinging to existence. And, as a general rule, proxy fights are more apt to take place in less successful companies.

"When a company is performing badly, it's easy to convince shareholders a new team would do better, even if the problems were due more to the general business climate than to bad management," said Mr. Schwarzman.

Many people believe that the market is so bad right now that, as one takeover expert put it, "nearly every company seems like a real dog." So aggressive disgruntled shareholders — Victor Posner and Carl Icahn are repeatedly mentioned as examples of the kind of investor likely to be alert to the possibility of waging a proxy fight — may find the right time to try to leverage a minority interest into control of a major corporation.

The Belgian sources said Luxembourg ministers did not raise the question of separate listing of foreign reserves, though Luxembourg — which unlike Belgium has a balance of payments surplus — is known to be sensitive about the current system.

But the communiqué did not mention separate listings. It merely expressed satisfaction at the way the two governments had consulted each other before last month's EMS realignment.

Tuesday, the Belgian franc was stable in the EMS in quiet trading. The currency was quoted at 19.111 against the Deutsche mark, compared with 19.115 Monday.

## Luxembourg Told It Can't Alter Union

Compiled by Our Staff From Dispatches  
BRUSSELS — Belgium has rejected a Luxembourg plan that could have led to separation of the Belgian and Luxembourg francs.

In a meeting Monday, Belgian Premier Wilfried Martens turned down a request to provide exchange-rate guarantees for Luxembourg assets held in Belgian francs, the Belgian government sources said. The guarantee would have come into play if the Belgian franc was devalued but the Luxembourg franc was not.

A communiqué issued after the meeting by Mr. Martens and his Luxembourg counterpart, Pierre Werner, pledged the two nations to try to keep the Belgian franc as strong as possible in the European Monetary System. But it made no mention of Luxembourg's earlier demands for major reforms of the 60-year-old Belgo-Luxembourg Economic Union, or BLEU.

Luxembourg, which relies heavily on imports from West Germany, had pressed for the commitment of support within the EMS. Any depreciation of the linked currencies against the Deutsche mark would increase the cost of its imports and add to inflation.

Luxembourg also had said before the meeting that it wanted a separate calculation of its balance of payments and a separate valuation of its foreign exchange and gold reserves, which are held by the Banque Nationale de Belgique.

Belgium's failure to consult its small economic partner before February's 8.5-percent devaluation of the Belgian franc within the EMS was bitterly criticized in Luxembourg, which was forced to follow suit.

This gave rise to calls for reform within the economic union, and possibly even an end to the linkage of the two francs.

An end to the linkage would have posed some problems. For one thing, an appreciation of the Luxembourg franc against the Belgian franc would expose Luxembourg bankers to losses from their heavy lending in Belgium.

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## World Stock Prices Off Sharply in First Half

By Philip H. Wiggins  
*New York Times Service*

NEW YORK — Prices on stock markets throughout the world were broadly lower in the first half of this year, reflecting nervous investor reaction to economic and political turmoil in several countries.

Of the world's leading stock exchanges, only the New York market showed firmness and resilience.

Paris share prices fell sharply, the Frankfurt exchange is about where it was at the start of the year and the Toronto Stock Exchange closed out the half with its biggest

summer, partly because of a modest growth in the economy and partly because of the business community's general acceptance of Finance Minister Jacques Delors. Analysts cited several reasons for the recent weakness in French stocks. Among them were the inclusion of dividends in the four-month wage-price freeze, the continued fall of the franc against the dollar and the expectation that austerity measures will bring a loss of purchasing power.

Investors who follow the French market said that the wage-price freeze, despite its initial depressing effect, is not likely to affect the market decisively. More important, they said, will be the nature of the government's economic policy after the freeze ends.

Although hopes for lower interest rates generated a slim recovery in March and April, optimism evaporated shortly thereafter and stocks retreated. Shares of machine building and machine tool companies such as Brown, Boveri and Oerlikon-Bühler, and the metals companies that supply them, such as Alusuisse, were hardest hit, as were Switzerland's watchmakers. Chemical companies, however, did moderately well.

Hong Kong Depressed

The Hong Kong stock exchange indicator, the Hang Seng index, has been less erratic this year than last, but is still generally depressed. The market opened the year at 1,405.82, or 4.6 percent below its January level a year earlier.

Through most of the first half, the Hong Kong market declined steadily, reaching a bottom of 1,165.96 on March 31 after panic selling on fears of a worsening market touched off a plunge of 56 points March 4. The market rebounded by late April to 1,300 on the index, which it has straddled since.

The Frankfurt Stock Exchange, the largest in West Germany, closed the first half about where it started. Repeating last year's performance, the market was bullish into early April, then began to fall.

This drop, however, was not nearly as sharp as the index's decline to 83 from 121 at the election of the Socialists last spring. The market began its recovery last

weekend, with a gain of 10 to 111.

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weekend, with a gain of 10 to 111.

Stock prices slackened, however, as predictions of a prolonged recession multiplied.

The major steel manufacturers, such as Hoehst and Thyssen, generally continued to benefit from steel price increases in Europe, while department stores were buoyed by a slight increase in consumer spending. But AEG-Telefunken, an electrical products company that has been on the edge of bankruptcy for several years, declined as prospects for reversing the company's financial plight faded.

"The key for the next half year lies in international interest rate movements," said Wolfgang Otto, head of the stocks division at Commerzbank in Frankfurt. His statement reflects a consensus among analysts on the Continent that continued high interest rates in the United States will weaken stock trading in Europe.

High U.S. interest rates were blamed for dampening prices on the Zurich Stock Exchange in the first half. Swiss analysts pointed out that the slow crumbling of stock prices was more the result of investors moving into fixed-interest, dollar-denominated securities than the result of heavy selling.

Volume on the exchange through June 25 was 578.6 million shares, compared with a volume of 769.1 million through June 26 last year.

## Protests Delay Bourse Trading

PARIS (Reuters) — Demonstrators from small and medium-size businesses threw smoke bombs and firecrackers in the Bourse on Tuesday. Bourse sources said they said the group was campaigning to save companies the national association for small businesses says is doomed by the price freeze.

The sources said the Bourse was evacuated and the start of trading delayed for more than an hour.

## Many NYSE Stocks Dropped 35% or More in 6 Months

New York Times Service

NEW YORK — The first six months of 1982 have been bad ones for the New York stock market — so bad that the prices of 161 of the stocks listed on the New York Stock Exchange have dropped by at least 35 percent since January. Only 50 issues gained 35 percent or more in the first half.

Another big winner, McLean Trucking, also had losses in 1980 and 1981. Early this year, however, McLean agreed to be acquired by Meridian Express, a privately owned Dallas-based transportation holding company, in a cash buyout valued at \$101.3 million.

Chrysler, too, has been in serious financial trouble in past years. Since 1977, the company had recorded losses totaling \$3.4 billion, and was saved from bankruptcy only by \$1.2 billion in federally guaranteed loans. But last month Chairman Lee A. Iacocca predicted that Chrysler would earn an operating profit only in the second quarter, but for all of 1982.

Coleco, which manufactures games and toys, announced this spring that the response to its line of hand-held arcade electronic games was extraordinary and that shipments of its video-game system would begin this month. Coleco operates supermarkets in the Detroit metropolitan area.

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دكتور احمد العليل





## SPORTS

**U.S. Pro Leagues, Athletes Seem Headed for Clash on Mandatory Drug Testing**

By Bart Barnes

Washington Post Service

**WASHINGTON** — Although mandatory testing for illegal drug use is strongly opposed by most professional athletes' unions, the management of at least one league, the National Basketball Association, says it will press for just such a requirement when it begins contract negotiations with its players association later this month.

In the National Football League, management contends it already has the authority to test players for drug use, but the players' union disagrees and says it may file formal grievances on the issue.

"It will very definitely be a collective-bargaining point in our negotiations over the new contract," said Jack Joyce, director of security for the NFL, who said he was speaking for Commissioner Lawrence O'Brien. "We'd be very much interested in testing."

Police State?

Larry Fleisher, who heads the NBA Players Association, said the union is totally against testing. "I think [Dallas Cowboy Coach] Tom Landry put it best when he said, 'We have not yet reached a police state in this country,'" said Fleisher.

Illegal drug use by professional athletes, an issue of increasing concern, has been the focus of particular public attention since the publication last month in Sports Illustrated of an account by Doc Reese, a defensive lineman who played for Miami, New Orleans and San Diego, that detailed his problems with cocaine.

Over the past several years, every major sports league

has been embarrassed by news accounts of one or more of its athletes having become addicted to or dependent on illegal drugs, and there have been suggestions that players be required to undergo periodic checks for drug use.

Essentially, debate pits the leagues' desire to maintain public confidence in the integrity and wholesomeness of their sports against the players' rights to privacy — and a presumption of innocence. Proponents of testing believe it would identify players in need of help.

Charles Jackson, the NFL's assistant director of security and chief narcotics investigator, says the league proposes a program of regular drug testing of players in the mid-1970s but scrapped the idea in the face of militant opposition from the union.

Although the league did not pursue the issue after the union's objections, a number of clubs run regular drug checks as part of their routine physical examinations, over the objections of the NFL Players Association.

NFL ballplayers are people who have the same rights as anybody else in society, and they don't deserve to be treated as racehorses or greyhounds," says Doug Allen, assistant to NFLPA Executive Director Ed Garvey.

"We're not ever going to agree to any unanalysis or spot checking because that assumes everyone is guilty. How would you like to have to pee in a cup every morning before going to work as a sportswriter or a mailman or a doctor or a lawyer?"

Among the NFL teams to have tested players for use of illegal drugs as part of the routine physical exams are the Denver Broncos, the New England Patriots and the Dallas Cowboys.

Gil Brandt, the Cowboys vice president for personnel development, is one who favors a more ambitious program of testing. "If you brought your squad in today and you tested them, and they knew you were going to test them next Wednesday and every week after that, I'll tell you one thing: It would stop it."

"If you can get to somebody and help them, you've accomplished something."

Brandt said the Cowboys did a urinalysis on all their rookies when they reported for training camp two years ago and plan to do so again this year. But it's likely that, to be effective, any program would have to involve spot checks or weekly testing instead of a once-a-year physical, since many drugs become difficult to detect within a few days after use.

## No Meeting of Minds

Whether it's done once a year or once a week, however, there is no meeting of the minds between the NFL Players Association and the league on the issue of authority to test players for drugs.

Jack Donlan, executive director of the NFL Management Council, the league's labor negotiating arm, says the current collective-bargaining agreement already gives the clubs the authority to administer such tests.

"If the want to do it more than once a year, I see no problem from a contractual standpoint," said Donlan.

Former Washington Redskins Big Owens, now a special assistant to Garvey at the NFLPA, emphatically disagrees. Unless specifically authorized in a new contract, testing for drugs would represent a unilateral change in

working conditions and would be an unfair labor practice, he said, adding, "They'd have a lot of problems with the players."

With the players' ranks, there are varied opinions on the issue of mandatory drug testing.

Mark Murphy, the Redskins' player representative, said, "Most players are against it... It's assuming guilt. I think it could have some benefit if the reliability was good and it was done once a year and the players knew it was coming."

Former Minnesota Vikings defensive end Carl Eller, a reformed cocaine abuser who is now an NFL consultant on drug-related issues, said he has mixed feelings about testing for drug use. "I don't think athletes should be singled out," said Eller, who admits to once having had a \$2,000-a-week cocaine habit. "But if a man is having a problem we would want to know about it and be able to help him."

In basketball, Fleisher of the NBA players association said "we'll fight it" if the league presses the testing issue in contract negotiations. The contract between the league and union expired June 1, and negotiations are expected to begin later this month on a new pact.

Last January, the issue of drug use in the NBA became the focus of public attention after Washington guard John Lucas admitted having a cocaine habit.

Asked how he would feel about mandatory testing for drug use, Bullet forward Greg Ballard said, "It's sad that it has to come down to asking the question, because I feel any kind of athlete who values his career and his life wouldn't touch the stuff."

"I'd have to be against it, because it simply shouldn't come down to that. I personally wouldn't want it because I've never dealt with drugs and I don't want anybody testing me like I had been. But if it's as rampant as some people say it is, then maybe some people need to be tested."

Marvin Miller, executive director of the Major League Baseball Players Association, said he would oppose any testing beyond a routine physical examination at the beginning of the season.

"If you're looking for something specific like illegal drugs, then testing is unnecessary," said Miller. "It's like checking a horse after a race — you're being a detective then. We don't need that."

Through a spokesman, baseball's commissioner, Bowie Kuhn, commented only that, "We would consider urinalysis if it were necessary."

## Hockey: 'Not a Major Problem'

Both the National Hockey League Players Association and NHL Commissioner John Ziegler said testing players for drug use has not become an issue in that sport. "We do not consider it a major problem," said Ziegler, who suspended New York Ranger wing Don Murdoch for half a season after Murdoch was arrested in the spring of 1978 — after the season was over — for possession of cocaine.

"I would not be so naive as to think that nobody has experimented," said Ziegler. "But every player knows that if he gets caught he's going to lose his right to practice his profession for a period of time."

**McGregor Beats Angels  
12th Time in Row, 8-5**

Compiled by Our Staff From Dispatches

**ANAHEIM, Calif.** — Scott McGregor registered his 12th consecutive victory over California here Monday night as Baltimore topped the Angels 8-5. McGregor has not lost to California since Aug. 18, 1978.

Rick Dempsey, Eddie Murray and Floyd Rayford all hit two-run home runs and Ken Singleton had two doubles and a single to drive in the winners' other two runs.

McGregor (9-6) went 8½ innings and was touched for homers by

**BASEBALL ROUNDUP:**

Doug DeCinces in the second and Reggie Jackson and Fred Lynn (the latter's with a man on) in the ninth before being replaced by Don Stanhouse.

Stanhouse lasted only two batters, both of whom singled, before Tim Stoddard came on. Stoddard gave up a run-scoring single to Brian Downing before Tippy Martinez relieved and got the final two outs. The Angels have lost six straight.

Brewers 10, White Sox 4

In Chicago, Roy Howell had four hits, including an RBI single in three-run first and a bases-empty home run in the seventh as Milwaukee beat the White Sox 10-4. The White Sox committed seven errors, three by shortstop Bill Almon. It was Chicago's fifth loss in six games; the Brewers have won eight of 11 and 11 of their last 13 on the road.

Twins 5, Tigers 3

In Detroit, Kent Hrbek led off the second with a home run and John Castino capped the inning with a two-run double, leading Minnesota to a 5-3 victory over the Tigers. The Twins have won six of their last eight games.

Rangers 3, Blue Jays 2

In Arlington, Texas, Jon Matlack and Danny Darwin combined on a seven-hitter and Billy Sample's RBI single capped a three-run third that led Texas past Toronto, 3-2.

A's 2, Indians 0

In Oakland, Calif., Tom Underwood scattered six hits over 7½ innings and Dan Meyer hit a bases-empty homer to lead the A's to a 2-0 triumph over Cleveland. Underwood raised his record to 4-4 by striking out four and walking one before Dave Beard relieved with two out in the eighth to post his seventh save.

Martinez 4, Yankees 4

In Seattle, Julio Cruz went 3-for-4, stole two bases, scored three runs and drove in two others to lead the Mariners into third place in the Western Division with a 5-4 decision over New York.

Red Sox 4, Royals 3

Red Sox 4, Red Sox 3

In Kansas City, Mo., Frank White drove in three runs with a homer and a single to lead the Royals past Boston, 4-3, for a split of a doubleheader. Jim Rice's bases-loaded sacrifice fly in the 11th produced the deciding run in the 4-3 contest.

Red Sox 8, Expos 6

In the National League, in Montreal, San Diego rallied for six runs in the seventh and went on to down the Expos 8-6. Scott Sanderson had a 6-1 lead when Ruppert Jones led off the inning with a double and scored on a single by Sixto Lezcano. One out later, Derrek Perkins singled; Lezcano to third; Luis Salazar's sacrifice fly narrowed the lead to 6-3, and singles by Kurt Bevacqua and Gene Richards loaded the bases. Sanderson walked in a run before Garry Templeton singled in another to tie the game. The Padres, who sent 11 batters to the plate in the inning, then took a 7-6 lead on Jones' single.

Astros 6, Pirates 4

In Pittsburgh, Phil Garner hit a three-run homer and Jose Cruz drove in three runs on a home run and an RBI double to pace Houston to its sixth victory in seven games, 6-4, over the Pirates.

Cards 6, Reds 5

In Cincinnati, Ozzie Smith delivered an RBI single with one out in the 10th to beat the Reds for St. Louis, 6-5.

Dodgers 4, Mets 1

In New York, Ron Cey and Mike Marshall hit third-inning home runs to support the five-hit pitching of Bob Welch and lift Los Angeles past the Mets, 4-1. Welch (9-5) struck out eight and walked one. Dave Kingman hit his 19th home run of the year for New York.

Giants 3, Phillies 1

In Philadelphia, Chili Davis tripled to ignite a two-run sixth that carried San Francisco to a 3-1 victory over the Phillies before a regular-season record crowd of 63,501 at Veterans Stadium. Milt May's single brought home Davis with the tie-breaking run and helped Bill Laskay to his seventh victory in 12 decisions.

Braves 7, Cubs 5

In Atlanta, Glenn Hubbard hit a two-run homer in the seventh to spark the Braves to their sixth straight victory, 7-5, over Chicago. Bob Horner also hit a home run for Atlanta, which has won 22 of its last 31 games. Jody Davis and relief pitcher Lee Smith homered for the Cubs.

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The Associated Press  
Detroit third baseman Enos Cabell had a painful encounter with a rolled up tarpaulin at Tiger Stadium Monday night, but held onto a pop-up by the Twins' Randy Johnson. Minnesota won, 5-3.

**Italy, Brazil: Hail, Farewell**

International Herald Tribune

**BARCELONA** — It feels like losing a friend, one who has insisted on giving, giving, giving but who has taken little in return.

Brazil is out of the 1982 World Cup. The team that restored the old values of soccer as a *players' game* is gone even before the semifinals. And we have to admit it: Italy, which knocked Brazil out Monday, deserved, that day, to do it.

There is no doubt that this World Cup is an extraordinarily contrary tournament. The odds against Italy, Poland, West Germany and France producing Thursday's four semifinalists

## ROB HUGHES

would, before the event, have been as likely as Leonid Brezhnev and Ronald Reagan becoming blood brothers.

Brazil's fall was at least in character with all it had achieved here. It is intelligent. He knew how to find the gaps, how to get into the spaces we left. And he punished our mistakes.

Brazil's soccer is too naive, that the charges of fullbacks Leandro and Junior leave those gaps.

They do, of course, but the philosophy that has thrived millions who thought the game was dying is to outscore opponents, and Leandro and Junior, one playing almost as a winger the other as an inside forward, are integral links in that ambition. They stretch, they surprise — and if we loved them for it last week, why criticize them now?

**Marco Tardelli**  
... Italy's first inspiration

The victory ethic is the final judgment on a team's value, although I believe that, for once and even in these times, the soccer world knows Brazil has cleaned the sport's whole image, has reopened for beyond its shores the love of attacking play that had stagnated under negative coaching.

## How Could It Lose?

So how could it lose — and lose to Italy, whose sterile defenses had only survived the first round on a technicality against Cameron?

Foremost, because of the Italian's sheer courage. Here is a nation that has long submerged its beautiful talents beneath a defensive neurosis and a cynical will to kick the opposition into surrender. But Italy deserved us all.

It beat Argentina by attacking in the second half and it beat Brazil by attacking almost from the start. It is almost as if the Italians have to be forced to use their unquestioned skills.

The header did not cross the line, said Italy's goalie and captain. "I saved it. I know it did not cross the line," Zoff said heavily. He has played 104 internationals and says, as if ordering the groceries, "The last two games form part of Italian soccer history."

## Broken Glasses

Now taking history, nearly so unemotionally as Zoff's boss Enzo Bearzot, Italy's long-suffering manager, crossed paths with Santanas as the Brazilian coach was leaving an interview room and Bearzot was entering.

Bearzot hugged the beaten adversary in a way we would all have liked to. Even an Italian, and especially Bearzot, loved Brazil's World Cup.

But the Italians do show their feelings in a physical way. At Monday's final whistle, Bearzot rushed to the center circle and threw his arms around Gentile. Bearzot's face was smothered and his sunglasses shattered. Suddenly, the face that has worn a thousand haunted looks in the name of Italian soccer opened into a huge, beautiful and ironic laugh — ironic because Bearzot, more than anyone,

## OBSERVER

### Shrinking Justice

By Russell Baker

**N**EW YORK — For an exercise in legal absurdity it would be hard to improve on the trial of John Hinckley. Having shot the president, been taken into custody, advised of his constitutional rights and afforded legal counsel, Hinckley was examined by squadrions of psychiatrists to determine his state of mind at the time of the shooting.



Baker

spill, no matter what his mental state at the moment of the crime. The insanity defense made more sense when capital punishment was commonplace, if only because there was something socially repugnant about hanging the mentally ill. This was a decision which might very wisely have been left to the conscience of the community as embodied in a jury.

\* \* \*

In the Hinckley case though, as in almost all insanity pleas nowadays, the law was not consulting the conscience of the community; it was asking a jury of laymen to settle a highly technical question.

The great delicacy that the law accorded Hinckley, as well as the huge expense it shouldered in his trial, again reminds us of how the law's concern for felons tends to belittle the suffering of their victims.

If they are beaten in a mugging and their assailant is caught, they create a nuisance to the overburdened court system and may find some irritated prosecutor telling them he's reduced the beating charge to something more trivial through pugil bargaining. In cases that go to trial, victims often end up wishing that they hadn't even mentioned the offense to the law.

Assault victims may find themselves confronted with insinuations of low character that invites assault. Rape victims may find themselves subjected to degrading cross-examination about their sexual status.

The old principle followed by criminal lawyers with difficult murder cases to defend was "try the victim." As a reporter, I covered a few such cases. It was fascinating to observe how the dead party, long in his grave, lost the sympathy of the courtroom as the terrible plight of the murderer engaged everyone's attention.

The law's passion for giving the accused every possible opportunity to clear himself is doubtless a fine thing and has probably saved some innocent citizens from unjust awfuls. I'd probably be delighted about it if I were accused of a crime I hadn't committed. On the other hand, I'd rather not let the law know about it unless it was truly awful. It isn't easy being a victim nowadays, especially if you insist on making a fuss about it.

New York Times Service

## Kicking Sand in the Face of Time

By Anna Quindlen

*New York Times Service*

**N**EW YORK — Charles Atlas, born Angelo Siciliano of Brooklyn, the Horatio Alger of the human body, has been dead for a decade now. Charles P. Roman keeps alive his legend. It has always been so.

Was not Roman the man who, after Atlas had broken a metal bar in front of 3,000 inmates called the tabloids and dictated the headline "Man Breaks Bar at Sing Sing Prison — Thousands Cheat, None Escape!"

Didn't Roman, armed with Atlas' extraordinary physique and his theories of exercise, devise the 97-pound-weakening ad campaign, creating a phrase that, a half century later, remains an enduring metaphor for punishes and humiliations? Doesn't Roman work in an unassuming office here dominated by pictures of Atlas in white trunks, and by a bronze statue of Atlas, ringed with phallos?

And doesn't Roman keep the Charles Atlas concern running?

"We're doing as great as we ever did," said Roman. "I carry on exactly the same as if Charles was sitting in the next office. The system is still the Atlas system, so he is in fact still giving the training just as he always did."

### Dynamic Tension

Now, as the sand-kicking season heats up, the tiny coupons will come pouring in asking for the free 32-page booklet "showing how dynamic tension can make me a new man." Ectomorphic adolescent boys hungering for the great triangular chest Atlas sports in the advertisements and, not coincidentally, hungering for girls, find salvation in the pages of Archie comics or sports magazines.

About 250 English-language publications carry the Atlas ads, and as many in Spanish, and the letters come in from all over, in frail airmail envelopes from South Africa, Ghana, Fiji, Nigeria, Brazil.

"I am a 17-year-old guy living in Kenya," reads one. "I happen to come across your ad and I thought it is a good idea. Since I have a lot of long arms and legs that could use some nice big muscles. P.S. Does it make your chest big (I really need that too.)"

Charles Atlas died 10 years ago but his body-building business is still going strong.

From Little Rock, Ark., a mother enrolls her son: "He is 15 years old and weighs 134 pounds. He is 5'11. He would like to gain weight. My husband took this course at age 15 and really developed himself. Do we get a family discount of any kind?"

From all over the country and the world young men send pictures; occasionally one will drop in to see the master himself, unaware that Atlas died in 1972. "You can tell where all the world's trouble spots are by the letters we receive," said Roman. "Argentina is giving us such business today. And Poland! They must have difficulty getting U.S. money there, but we get letters every day."

The story of Charles Atlas, however, is a profoundly New York story. The legendary sand-kicking episode, the inspiration for "The Insult That Made a Man Out of Mac" in the Atlas ads, took place on the beach at Coney Island, where Atlas was still skinny Angelo Siciliano. The system of isotonic exercises, called dynamic tension was said by Atlas to have been born at the Prospect Park Zoo, when he watched a lion stretch and came to the conclusion that the animal was pitting

one muscle against another and building up both.

As a fledgling advertising man, Roman was given the Atlas account and decided that the best endorsement for dynamic tension was Charles Atlas in swim trunks.

The two men incorporated in 1929, a year in which many

Americans had nothing more

than their bodies to bank on, and they were successful almost at once.

Roman built up the business,

and Atlas built up his body, as

well as an international reputation

for lifting cars to fix flat tires

and pulling rowboats to shore

with a towrope around his 17-

inch neck. "But I always kept in shape," said Roman, who is 75. "By doing a little dynamic tension I keep pretty fit, keep from getting a potbelly."

Roman does talk sometimes as

though his friend really is in the

next office, just back from a

workout at the gym, perhaps be-

cause a book about Atlas is being

published in a few weeks. It is

called "Yours in Perfect Man-

hood" and is based on Roman's

recollections. Roman would like

it to be a movie version.

Roman's daily life also revolves

around Charles Atlas. Every

month his office sends out thou-sands of Atlas lessons to those who decide to subscribe to the program of isotonic exercises and nutrition tips. It's \$30 for the package, just as it was in 1929. Some women take the Atlas courses, but "we don't cater to them," said Roman, "we never

have."

### No Changes

The program continues to suc-cess without adaptation, except that the girl who watches Mac get sand kicked in his face — "Oh Mac! you are a real man after all," she says after he has filled out and demolished the bulky

office.

### Can Make You a New Man!

"How Do You Look in a Bath-ing Suit?"

"Do You Want to Be 'Tops' in Sports and Athletics?"

Atlas was a fine figure of a man until the day he died at the age of 78. "He had a heart attack first," said Roman, "and he couldn't believe that had happened to Charles Atlas. He checked himself out of the hospital after seven days, swam, went running on the beach. It was too much for him."

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Most senators are "tired old codgers" who don't need a proposed new \$736,400 gymnasium, according to Sen. William Proxmire. The expenditure is included in a plan to spend an additional \$4.2 million on a new Senate office building. The \$4.2 million was "saved" in 1979, Proxmire said, when the Senate voted to put a \$137-million ceiling on the Hart Senate Office Building, now under construction on Capitol Hill. The Wisconsin Democrat sharply criticized George White, architect of the Capitol, and the Senate Office

## PEOPLE

### Miró's Sight Better

The Spanish painter Joan Miró, 89, has recovered sight in his left eye following surgery for a cataract last week, his family said in Majorca. Miró, who had a pacemaker installed seven months ago to regulate his heart, also is getting improved vision in the other eye, the family said.

\* \* \*

Imelda R. Marcos, wife of the president of the Philippines, is in Moscow as guest of the national parliament. She will attend contests of the Tchaikovsky competition this week in which 19-year-old pianist Maria Rovira Arrieta of the Philippines is a finalist. She expects to leave the Soviet Union Sunday.

\* \* \*

An estimated 7,000 red-robed sannyasins, followers of Bhagwan Shree Rajneesh, paid \$350 to attend a seven-day festival of meditation ending today at Rajneeshpuram in central Oregon. They knelt or sat on the vinyl-covered ground in silence interspersed with Indian music and readings of discourses Rajneesh delivered at his commune in Poona, India, where his teachings on sex caused some controversy. Now based in Oregon, the commune has become embroiled in a dispute with longtime residents of the area. It became a legal municipality this year, entitling residents to elect officials in the November elections.

\* \* \*

A weekend burglar grabbed jewelry estimated to be worth more than \$100,000 from the Manhattan apartment of the sister of publisher Walter Annenberg, former U.S. ambassador to Britain. Police said the jewels were taken from the fashionable East Side flat of Enda Haupt, 70, the former publisher of *Seventeen* magazine.

\* \* \*

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Building Commission for what he called a plan "to gold-plate the Hart Building with a new gymnasium, a new hearing room for the press and other nonessential projects." He said he will introduce legislation to block the plan. Commerce Secretary Malcolm Baldrige spent \$15,272 for office redecorating last year in violation of President Reagan's order early this year against lavish spending, according to Sherman Funk, Commerce Department inspector general. Funk says Baldrige spent too much for carpeting, upholstery, drapes and plants. But he agrees with Baldrige's outlay of \$55,706 for a private dining room, put blue blazers on security guards, and renovate his private bathroom because "50 years old — from the days of Herbert Hoover."

\* \* \*

The Chinese ballerina dancer Lin Jianwei, who defected last week, will make his U.S. debut in Fort Worth, Texas next month. William Martin-Vicente, 40, of the Southwest Ballet Company, said he had hired Lin, 24, who at one time was his student, to dance in an Aug. 13 performance of "Le Corsaire" at the Scott Theater in Fort Worth. Lin will also perform as Albrecht in "Giselle" on Aug. 14 with Shaw Stevens of the New York City Ballet. Lin slipped away from the International Ballet Competition in Jackson, Miss. on June 28, leaving his partner stranded during a performance.

\* \* \*

Simon & Schuster is suing fashion designer Bill Blass for not delivering a book he promised to write back in 1971, according to Women's Wear Daily. The paper says the publishing house is seeking return of \$32,500 in advances to Blass because he never turned in an 80,000-word manuscript that was due by 1973. It said the publisher gave Blass another two years. Still no book, Blass told the paper he was unaware of the suit.

\* \* \*

Band leader Peter Duchin was lucky to walk away after his car smashed into two concrete posts on Interstate 64 near Newburgh, N.Y. Duchin apparently had fallen asleep at the wheel shortly before the 1:30 a.m. accident, police said. Duchin, a resident of Bedford Hills, was taken to a hospital, where he was treated and released.

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